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STATE OF MARYLAND

STATE PLANNING COMMISSION

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Report on

# MEN'S CLOTHING INDUSTRY

by

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Research Assistant

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## INTRODUCTORY STATEMENT

The work of a state planning commission usually resolves itself into inquiries concerning population, land, financial aspects of government, water resources, highway construction, and other such matters. The solutions of problems in each of these fields are directly dependent upon technical matters inherent in each particular problem. But however the technical details may be worked out, their ultimate solutions are indirectly dependent upon the basic stability of the vital industries of a city or state. Part of the problem of planning a sewerage system for a community is concerned with the determination of the immediate need for, and the engineering details involved in, laying down such a system. Perhaps a more important aspect of the problem is whether or not the community using that system ten years hence has been able to pay for it.

The vital industries of any community determine in the long run, the economic well-being of the entire community. Vital industries for the purposes of the studies here presented are defined as those large industries which collectively employ at least 70 per cent of a community's industrial employees. These industries are fundamental to a community, in that they give direct employment to thousands and indirect employment to many more thousands. Not only are the direct employees affected when the vital industries slump, but the indirect employee, in the service industries of one kind or another, are also involved.

The effects of decline of vital industries are evident in the rise of unemployment, in the decline of tax receipts, and in the rise of cost of public welfare services. But the effects are not restricted to such obvious phenomena; they may also be discovered in stranded populations, in dying communities, and in the uselessness of installed public utilities, such as sewerage, viaducts, highways, and land developments.

It is important, therefore, for a state planning body to examine these vital industries and determine - if possible - the relative degrees of stability enjoyed by them.

Baltimore contains more than half the population of Maryland and most of the manufacturing in the state is carried out in Baltimore. Since a considerable portion of the population of the rural communities is directly and indirectly dependent upon the purchasing power of Baltimore employees, the examination of those industries in Baltimore basic to the economic structure of the city and the state was undertaken.

Through the cooperation of the National Resources Committee, Mr. A. A. Imberman was assigned to the Maryland State Planning Commission to make these studies. The industries covered in this series of reports are: Men's Clothing, Iron and Steel, Fertilizer, and Building Construction.

The first report, dealing with the Men's Clothing Industry is here presented. It indicates that:

(1) The Baltimore clothing industry has been able to withstand the declining market from 1930 through 1934 with a greater degree of success than the national clothing industry.

(2) The Baltimore industry would have been able to do still better, if its manufacturers were permitted to manufacture a greater variety of garments than they do.

(3) Migration of clothing manufacturers from Baltimore has stopped and the indications are that there will be little migration if any, in the next five years or more. Migration to the Baltimore market has begun.

(4) There is every indication that business will continue to reach Baltimore manufactuers because of the low cost of the Baltimore product.

The reports on each of the other vital industries of Baltimore will be published in the immediate future. An evaluation of their significance to the State will follow at a later date.

Maryland State Planning Commission

Abel Wolman

Abel Wolman, Chairman

Report on

# MEN'S CLOTHING INDUSTRY

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A.A.I.

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# CHAPTER 1

## History of Clothing Industry

CHAPTER 1

## HISTORY OF THE CLOTHING INDUSTRY*

The ready-made clothing industry developed from a need for clothing that could be delivered immediately and that could be purchased at lower prices than were charged by custom tailors. The industrial revolution and the early establishment of the factory system in Europe, while the great bulk of the American population was still following agricultural pursuits, created the necessity for coarse work clothes in Europe, which did not exist until later in the United States. Ready-made clothing was unknown in this country before 1825 and its manufacture in factories did not begin until a much later date. Before ready-made clothing was introduced, clothing was made in the home or by a custom tailor, often an itinerant. The cloth was sometimes woven in the home and sometimes purchased.

The manufacture of ready-made clothing was probably an outgrowth of the secondhand clothing business, which originally supplied the demand for cheap clothing. Ready-made clothing was first made up to supply the wants of hurriedly departing New England sailors and of the Negroes on the plantations, and was probably first produced in New Bedford, and then in Boston and New York. The first systematic attempt to manufacture ready- made clothing in the United States began early in the thirties, and the clothing then produced was of the coarsest materials and workmanship. About 1831 George Opdyke, once mayor of New York, began the manufacture of ready-made clothing in Hudston Street. Some large

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* Following:
The Men's Factory-Made Clothing, Bureau of Foreign and Domestic Commerce, Washington, 1916.
"Clothing and the Man", National Retail Clothier, 1928.
Economics of Fashion, Paul H. Nystrom, Ronald Press, 1928.

firms which exist today had their beginning and were well established before the Civil War. The South and the West were the chief consumers of the early coarse ready-made clothing, the consumers being the sailors, plantation negroes, and miners. In these pioneer days the manufacturer was a retailer also; as there was no retail outlet for his merchandise, the manufacturer had to establish his own retail stores to dispose of his product. Up to the time of the Civil War, the amount of ready-made clothing was not extensive. What little manufacturing was done was in the large coast cities of the East, Boston and New York particularly. Here only, because of nearness to the woolen markets and because of the comparatively large labor supply, was such manufacturing possible. The sewing was all done by hand. The secondhand clothing business had established markets and trade customs that were taken over by the ready-made clothing manufacturers. Many custom tailors were impressed into the new business as the latter increased, and from them the manufacturers acquired technique.

About 1850 the sewing machine, invented in 1846, was put on the market. The machine at first was cumbersome and slow and was usually run by foot power. Moreover, the stitch first used very often ripped. About this time the woolen mills had begun to manufacture raw materials cheaply and they started to manufacture material for the clothing trade. The invention of the lock stitch and the availability of cheap raw materials greatly increased production. In 1859 there were 4,014 establishments, employing 114,800 wage earners, the principal centers being New York, Boston, Philadelphia, Baltimore, Rochester, and Cincinnati. St. Louis became the chief distributer for the West and New Orleans for the South.

In 1860 there were no factories, as we understand the term. Ready-made garments were cut by the manufacturer. The cheapest grades were sent to the country surrounding the principal centers to be made up by the farmers' women folks during the winter months or in their spare time. The better grades were sewed by city workers in their homes, or by custom-tailor employees in the back of the custom shops during the slow seasons. The entire garment was usually made by one worker. By some German tailors the work was roughly divided into machine sewing, basting, and finishing, the women of the tailors' family assisting them.

THE INDUSTRY DURING THE CIVIL WAR.

When the Civil War broke out, although a large amount of clothing was bought in Prague and Vienna, owing to the inability of American manufacturers to meet the sudden demand, and although the Government manufactured some uniforms from purchased cloth, large quantities of uniforms for the armies were bought from American manufacturers. One manufacturer alone received an order for $1,250,000 worth. The sudden demand for uniforms created an industry devoted to ready-made clothing. The ready-made clothing manufacturers, cut off from their chief market, the South, looked to the Government to replace their lost business . . At first Army uniforms, like ordinary ready-made clothing, were made in the homes of the workers, but as the war progressed and hurried demands for Army clothing increased, factories devoted to the manufacture of uniforms were established. The war, therefore, created factory buildings, which were used for the manufacture of civilian ready-made clothing when the war was over. Without the sewing machine it is hardly probably that American manufacturers could have turned out in time the large quantities of uniforms required. The war had many other beneficial influences on

the trade. In the Government workshops there were some sort of standardization, a greater subdivision of labor, and efficient factory methods, unknown to the clothing manufacturer, all of which were indirectly an influence to the ready-made clothing industry. The Government, in furnishing measurements for uniforms, supplied manufacturers with some idea of human proportions with which to guide themselves in making clothing for civilian use.

## DEVELOPMENT AFTER THE WAR.

The close of the war in 1865 witnessed the first important development of the clothing trade. The requirements of hundreds of thousands of soldiers returning to civil life and the general need in the South caused the factories that had been established for making uniforms to turn to ready-made clothing. In spite of an increased number of factories and of improvements in the sewing machine that decreased the time necessary for making a garment, manufacturers were unable for a long time to supply the great demand.

For the same grade of work that prior to the war had averaged only $8 to $10 per week for a man and his wife (in this wage being included payment for the use of the machine, fuel for heating the irons, thread, buttons, and light) wages averaged $20 to $25 a week during the period of stimulated manufacturing that followed the war. The man who used his own machine at home had a better opportunity of securing work than the tailor who worked on a machine rented from or belonging to the manufacturer. In the manufacturer's shop such as they were at this period, the worker paid for thread, sundries, fuel for heating the irons, etc.

The seventies and eighties were the days of the pioneers. Railroad construction and extension opened up the West and Southwest. Thousands

of new communities grew up. Immigration, ever increasing, began to move westward from the ports of entry. The demand for ready-made clothing grew by leaps and bounds to supply the demands of the vast numbers of new Americans and the home seekers. Chicago, because of the opening up and rapid growth of the West, became an important clothing center in the seventies. It was not only the important railroad center for the vast territorythat was being settled, but was located in a rich and well populated region where there was need of ready-made clothing. The retail establishments that supplied this demand required long terms, which included extra dating and a credit of four months. A man who paid his bills 60 days from date was regarded as a discounter. Manufacturers required large capital to carry along their customers, so that big clothing houses were the rule.

Clothing was manufactured for stock, chiefly of a medium grade. The manufacture of stock was not hazardous in this period, as the great majority of customers purchased clothing in quantities, without regard for style, workmanship, or fabric. Blanket orders were frequent. Slow-selling stock did not remain on the manufacturer's hands as it does now. The profits of the business were large. In each of the large centers there were a number of manufacturers whose annual sales amounted to $500,000 to $1,000,000. A very few had sales up to $2,000,000 or $2,500,000 a year.

The supplying of this great demand for ready-made clothing was made possible by the introduction of many labor-saving devices and by the type of worker that was coming into the trade. Up to 1870 all cutting was done by shears. Between 1870 and 1875 manufacturers began using the

long knife, worked up and down by hand through slots in the table and capable of cutting 18 thicknesses of cloth. The cutting machine introduced later consisted of a rapidly revolving circular disk blade, capable of cutting 24 layers of cloth. This machine was crude and dangerous, however, and not much in favor. Sewing machines were still run by foot power.

In the early seventies the Germans and Austro-Hungarians entered the clothing industry. Up to this time the sewing-machine operators were women, and a large number of machines continued to be run by women for many years; but many of these German and Austro-Hungarian men began working as sewing-machine operators exclusively, and they have gradually supplanted the women to a very large extent.

From the year 1880 may be said to date the rapid development of the clothing industry. The small cities and towns of the West and Southwest were firmly established, immigration crowded the ports, and the population rapidly increased. With the development of other industries, clerks, teachers, small merchants, and other classes who wished to dress well, but were not able to patronize the custom tailor, turned to ready-made clothes. The general demand of the people, whatever their occupation or station, to be well dressed, greatly stimulated the clothing trade.

## EFFECT OF IMMIGRATION.

The history of the clothing trade is bound up with immigration and it is necessary to understand the racial factors in a study of the industry.

Up to and through the early eighties the Irish and the Germans constituted the chief labor supply for the industry, but with the coming of large numbers of Russians after 1882, the importance of the Irish and Germans declined. The Russians generally settled in New York City, al-

though they later migrated to Baltimore, Chicago, and Philadelphia. They introduced the outside shop and the task system in New York. With the coming of this large Russian immigration began the decline of Boston, which had been up to this time the chief wholesale clothing center, and New York assumed the leadership. These Russian immigrants huddled together, the family keeping many boarders and lodgers, usually relatives or friends from their home towns or the unmarried sons and daughters of such friends and relatives. The lodgers usually entered the trade of the head of the house and as the space afforded by the living rooms became too small for the work, the head of the house rented rooms elsewhere, thus creating the small shop apart from the home.

INTRODUCTION OF TASK SYSTEM.

In the task system which the Russian contractor introduced, there was a "team" of three; one did the machine sewing or operating, another the basting, and another the finishing. Originally, the operator and the baster were men and the finisher a woman, but later the entire team was made up of men. Although wages were nominally week wages, the pay was on a piece-rate basis, since the week's wage was paid not for labor expended during one week but for the completion of a certain number of coats. A man who worked a week and produced only two-thirds of the weekly task would be paid only two-thirds of the weekly wage. Since the task was a team task, the quickest of the team was constantly speeding up his team mates to keep pace with him. As the system became established, the tendency was more and more to lower wages by increasing the task required in return for the week's wage.

Long hours and driving went with increasing the task. The contractor took advantage of the peculiar characteristic of the Russian

worker, who was content to work all hours of the day and night, provided his weekly wages were larger. The fact that the task worker earned more weekly than other workers under other systems does not take into account the number of hours worked by each. The task worker earned more per week, but at the expense of sleepless nights, early morning toil, and overexertion, which resulted in most instances, in making physical wrecks of once robust immigrants. In this system, which was employed among Russian workers only, the operator did all the machine sewing; the baster, who was the tailor of the team, put the garments together and did the incidental pressing; while the finisher did the less important basting and handwork. The contractor, who was usually more skilled, did the trimming and fitting and the off pressing. The buttonholes at this time were made in special buttonhole shops; at a much later date, when the size of the shops warranted it, the buttonhole maker installed a machine in each shop for which he worked.

During this period the task system was employed on the "closed" or "Balloon" made coat. Until the early nineties most of the coats made in New York were made up by this system. It was not employed, however, in manufacturing trousers or vests. There is some question whether the task system ever got a foothold outside of New York, but it is probable that as the New York task worker drifted to other centers he took the system with him.

The Bohemian immigrants came at about the same time as the Russians. They located in Chicago and Baltimore, where the few men who entered the tailoring trade established family shops. As the necessity arose girls were taken in to do the machine and the less important hand work. The Poles, like the Bohemians but unlike the Russians, permitted

their women to enter the trade, and the men engaged in it only in limited numbers. The Polish immigrants came in the late eighties and generally settled in Chicago. The Lithuanians, like the Poles, came in the late eighties and entered the industry in Philadelphia and Baltimore. The Germans were at this time, and have continued to be, the chief source of labor supply in Rochester.

UNSANITARY SHOP CONDITIONS.

The period after 1880 is marked by the greatly improved quality of the product, by factory or shop work superseding home work, by the introduction of steam and of gas, by the use of electric-power machines in the place of the old foot-power machine, by the growth of the contract system, sweatshops, and home finishing, and by the discontinuance of giving out work in the rural districts to be made by the wives and daughters of the farmers.

Although the tenement house appeared in New York in the sixties, overcrowding and sanitary conditions were probably at their worst in the eighties. The workers, all immigrants, lived and worked together in large numbers, in a few small, foul, ill-smelling rooms, without ventilation or water, and in close proximity to toilets. They slept on the unswept floors littered with the work, the work table serving as the dining table as well. The following is a description of the shop and the conditions of labor usual at that period:

"The workshops occupied by these contracting manufacturers of clothing, or 'sweaters,' as they are commonly called, are foul in the extreme. Noxious gases emanate from all corners. The buildings are ill-smelling from cellar to garret. The water-closets are used alike by males and females, and usually stand in the room where the work is done. The people are huddled together too closely for comfort, even if all other conditions were excellent. And when this state of affairs is taken into consideration, with the painfully long hours of toil which the poverty-stricken victims of the contractors must endure, it seems wonderful that

there exists a human being that could stand it for a month and live. We are not describing one or two places, for there is hardly an exception in this class of manufactories in all New York."*

Children have never been employed to a great extent in this industry, as their usefulness is limited to a very few operations, like pulling out bastings. Their chief employment then as now appears to have been acting as carriers of goods from the shop to the home and vice versa.

The buttonhole machine was introduced in the early eighties, but the great mechanical advance at this time was rather the improvement of machines already on the market than the introduction of new ones.

As the home became too small for the number of people employed, the head of the family rented rooms in a tenement to be utilized as workrooms, or in some instances built small shops in the yards of the dwelling houses, as was usually the case with the Germans. The Russian in New York usually set apart one of his dwelling rooms for a shop, and here we find the beginning of the sweatshop. The rented shops, apart from the dwelling, were unsuited for manufacturing. The large numbers of friendless immigrants whose only acquaintance might be their fellow countryman who was a tailor, gave such an energetic tailor the opportunity to become a contractor.

The number of people employed in the average coat shop in this period was about 20, and in the pants and vest shops, much less.

The end of the eighties and the early nineties witnessed the great Italian immigration. The Italians settled mainly in New York, women first entering the industry. Italian women came into the trade in such large numbers that they, at present, do practically all the finishing in

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* Second Annual Report of the Factory Inspectors of New York for the year ending December 1, 1887, p. 26.

most centers, and, numerically, hold first place in New York and Philadelphia among all women employees. The Italian men entered the trade after the women and today are to be found in large numbers in most of the clothing centers. The Italians were as industrious as the Russians, living in even more squalid and more wretched quarters, were easily contented, and being satisfied to work for prices that even the Russian worker considered too meagre, gradually supplanted the Russians, forcing them to become contractors, enter business, or seek other centers.

INTRODUCTION OF SUBDIVISION OF LABOR.

The Tenement House Act of 1892 in New York, which prohibited contractors from manufacturing in their homes, and legislation in other places, were the principal factors resulting in the establishment of large shops. Contractors rented shops and lofts built for manufacturing purposes, installed many machines, and entered into the making of clothes on a large scale. As the contractor's shop grew in size, the contractor looked about for means of lowering his labor cost. To utilize the labor of women and girls, which could be purchased cheaper, contractors introduced in New York, about 1895, a system of work that had been introduced in Boston by English tailors. This sytem employed a greater subdivision than any system previously mentioned. It did away with the need of the highly skilled tailor, as each person performed just one task that was simple to learn. This system was employed chiefly on coats of the better grade, made on what is known as the "open" method. Since the introduction of this system, the subdivision of labor has constantly increased, until some factories now have as many as 150 operations in the making of a coat.

This tendency to increase the number of operations has been developed with the idea of so subdividing the work that each operation

can be taught easily and quickly, and the skilled tailor and high labor costs will be done away with. Only a minute subdivision of labor enabled the clothing manufacturer to utilize the hordes of unskilled workers that swarmed to this country after 1880.

## INTRODUCTION OF THE LARGE INSIDE SHOP.

From about 1895 we find the establishment and extension of the large inside shop, with its better light, ventilation, and sanitary conditions, and the introduction of factory methods. Legislation which affected all clothing centers now brought the industry under State supervision. The public demanded finer goods in clothing as well as in other wearing apparel. Manufacturers began to start their lines at higher prices, to show more styles, and to pay more attention to the question of style. In 1907 the production of suits retailing at $20 or more is estimated as being ten times as great as it was in 1897. The manufacturers adopted trade-marks and began to advertise their products throughout the country. This practice made the large inside shop necessary, for unless the advertising was backed by a uniform product, which could not result from the employment of numerous contractors, the money expended upon such advertising was wasted. To satisfy the demand for better clothing, better workmanship and closer supervision than could be secured from the contractor were necessary. The inside shop could get out goods more promptly than if dependence was placed upon several contractors, and the manufacturer with an inside shop had a certainty of production not possible when working with contractors. Inside manufacturing insured that the linings, canvas, hair cloth, etc., would be used as intended and lessened the risk of having the style copied. The inside shop greatly improved working conditions and installed all the labor-saving special machinery that was constantly being introduced about this time. These machines--

edgepressing, serging, collar and lapel padding, various felling, tacking and ticket-sewing machines--saved time and did away with much hand work. Generally the contractor was not financially able to install these machines. The big inside shop also installed electric power, while some of the smaller outlying shops and the contractors employed foot or gas power, as steam power, which was originally used, was not adaptable to small shops. The manufacturers who established inside shops were probably not aware that they were adopting the means, if efficiently handled, of reducing cost and competing with their former contractors. The manufacturers, however, employed these contractors as foremen, superintendents, etc., in the new inside shops, and the foreman broughtwith him ideas and methods of manufacturing, which, while to an extent successful with small groups where the relationship of employer and employee was intimate and racial, could not but work disastrously when applied to a large factory. Often foremen were hired solely for their ability to procure help from among their countrymen, as the large inside house had difficulty in securing sufficient employees, there being no employment agencies, and newspaper advertising having proved futile.

TAILOR-TO-THE-TRADE HOUSES.

By the year 1907, a new factor, the tailor-to-the-trade house, had arisen in the clothing trade, which was destined to play a very important role. These houses originally supplied the small retailer with specials (out-of-proportion suits) or special styles or fabrics that such retailer could not afford to carry in his ready-made stock. From this beginning the tailor-to-the-trade house grew until it rivaled the largest of the ready-made manufacturers. With its large lines of styles and fabrics it drove the country merchant tailor out of business, and took

away from the ready-made wholesaler the business of the small country retailer, usually a general storekeeper. This was specially true of the South, where the small merchant took advantage of the opportunity not to carry any stock, substituting therefor the style and swatch book of the tailor-to-the-trade house.

DECLINE OF THE JOBBING BUSINESS.

In the old days, when terms were long, manufacturers needed some customers who would pay their bills shortly after the receipt of the goods. That was the day of the jobber. The jobber bought his goods cheaper than did the retailer, or he received a larger discount and often extra long dating, which meant the same thing. This was due to the fact that he purchased in greater quantities, usually when the manufacturer's plant was dull, and paid for his goods on receipt or in 10 days. Getting his goods cheaper, the jobber was enabled to resell his clothing at prices that competed with goods sold by the manufacturer to the retailer direct, although often the jobber's price was much higher. The jobber usually sold to the merchants in the small cities, towns, and villages, merchants to whom manufacturers would not extend credit. His salesman covered places that the manufacturer's salesmen shunned. His headquarters were located usually in the center of his customer's territory, so that these small merchants, at little expense, could come in to buy what they needed. Sometimes the jobber had large stocks on hand of merchandise very much in demand, and large retailers who could not procure the needed clothing from the manufacturers, purchased it from him. The jobber, selling to the small country merchant, who depended upon his customers' crops for payment of goods purchased during the season, had to extend very long terms, so that the jobber necessarily had to have a very large capital. He was a

banker as well as a merchant.

With the rise and growth of the tailor-to-the-trade house whose swatch cards and style books were to be found in the stores of the smallest merchants ; with the shutting down on long selling terms by manufacturers, which meant that they would not have to carry so many accounts along from year to year; and with the development of a highly organized selling organization by most manufacturers, the need for the jobber, who in earlier times had really performed a community service, disappeared.

Following is a resume of the description of the principal operations in a modern establishment which "produces between 6,500 to 7,000 suits per week and employs from 650 to 675 employees": -

> "The departments are so coordinated that if one falls behind it has to work overtime in order that the entire plant is not held up on the following day. Around 6,000 yards of woolens are used per day. Woolens, on delivery, are inspected, measured, and rewound. Woolens are then sponged and shrunk in a machine large enough to handle the company's requirements. After shrinking, the cloth is rewound by a machine which also folds it lengthwise.
>
> "Cloth is layed on cutting tables (four, 100 feet long, and six, 60 feet long). As many as 40 double thicknesses of cloth are piled one on another. One man lays out, another chalks the patterns on a marker, a third puts the marker on the pile, and a fourth cuts the lay with electrically driven cutting machines. A trimming department does the same with the linings. The separate piles are taken to the ticketing department, where the different parts are matched for shade, size, lot and corresponding numbers are sewed on each to assure proper assembly. The bundle of parts (coats) are fitted up and are given out for sewing together.
>
> "In the coat-sewing room are 400 sewing machines. Each operator sews only one seam. The different garments pass through the room in a steady stream. Pockets and pocket facings are put together and sewed in another part of the room. A battery of 14 ironers press out underseams with perforated plat irons (gas heated) served with steam, which is forced through the bottom of the iron through the cloth. Steam and gas are piped directly to the ironing tables. Canvas fronts are basted on by hand and blind stitched by machine. Two power driven button-hole machines each cut and sew over 600 holes daily; one sews then cuts, the other

reverses the process by cutting then sewing. Bastings are removed in the cleaning department. The final process is that of inspection.

"For pants practically the same system is employed, The pants department has 100 sewing machines and each worker does a single specific job. Here are 4 power driven button sewing machines. One man with one machine sews buttons on between 500 to 600 pairs of pants per day. Also, there are 3 button-hole machines and 12 gas-fired steam irons for underseams. The pants department has 12 Hoffman presses. (The two parts of the Hoffman presser are perforated so when the garment is laid between, the pressure applied, steam can be forced through the upper half and wet cloth, and suction draws the steam and moistens through cloth and lower half.)

"The coat pressing department has 38 Hoffman presses. Each coat passes through 7 presses, each operator pressing only one part. Vests are made in a separate plant." 1

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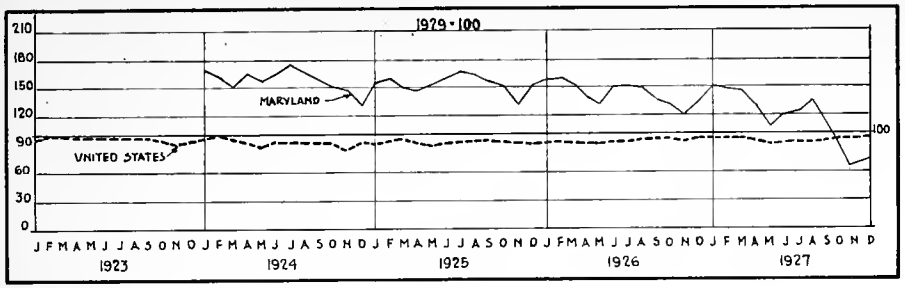
1 M. H. Rosemond, "Mass Production Cuts Costs in Manufacture of Men's Suits." (Manufacturing Industries, July, 1927, Volume 14, Pages 60-61).

# CHAPTER 2

## Scope of the Industry




# EXHIBIT - 1

# MEN'S CLOTHING INDUSTRY EMPLOYMENT.

INDICES FOR UNITED STATES, MARYLAND AND BALTIMORE.
1923-1936



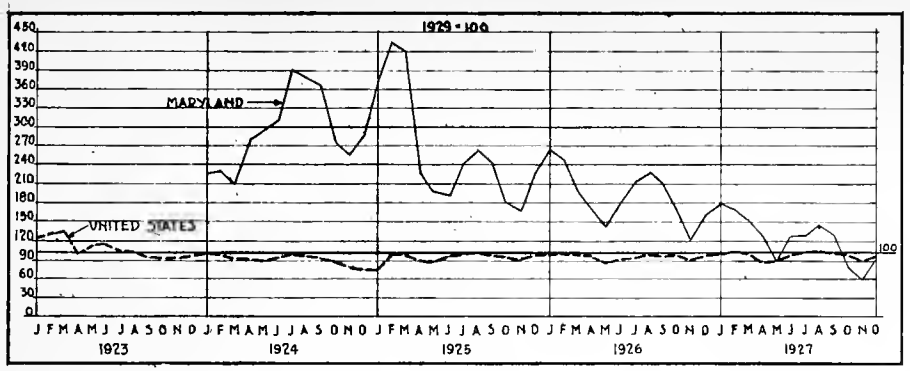
-SOURCE-
U.S. DATA FROM U.S. BUREAU OF LABOR STATISTICS,
ADJUSTED TO 1929-100
MARYLAND & BALTIMORE DATA FROM MARYLAND COMMISSIONER
OF LABOR & STATISTICS, ADJUSTED TO CENSUS TOTALS.

NOTE: EXCLUDING WORK CLOTHING.

# EXHIBIT - 2

# MEN'S CLOTHING INDUSTRY WAGES.

INDICES FOR UNITED STATES, MARYLAND AND BALTIMORE.
1923-1936




1929 - 100

UNITED STATES

MARYLAND

IF PLANTS 'A & B' HAD REMAINED IN BALTIMORE & MARYLAND

BALTIMORE

PLANT 'B' LEAVES BALTIMORE

PLANT 'A' LEAVES BALTIMORE

-SOURCE-
U.S. DATA FROM U.S. BUREAU OF LABOR STATISTICS, ADJUSTED TO 1929-100.
MARYLAND & BALTIMORE DATA FROM MARYLAND COMMISSIONER OF LABOR & STATISTICS ADJUSTED TO CENSUS TOTALS.

NOTE: EXCLUDING WORK CLOTHING.

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1928 1929 1930 1931 1932 1933 1934 1935 1936

## CHAPTER 2

In presenting this portion of the report, it might be well to show the original source from which this report arose. In examining the vital industries of Baltimore and Maryland, it was found that the Baltimore Men's Clothing Industry showed lower employment and payroll indices than the national Men's Clothing Industry. In other words, the Baltimore industry did not show the same degree of recovery that was evidenced in the industry throughout the country. This fact -- of basic importance -- led to an examination of the industry which is presented here.

Exhibit 1 indicates the employment stability of the Baltimore and Maryland Men's Clothing Industry, as contrasted with the employment stability of the national industry. It will be noted that the employment indices for Baltimore and Maryland are consistently higher than the national index up through the first half of 1933. The decline of the Baltimore index is shown in the report to be due to the migration of two firms - Plants "A" and "B", and is not due to any loss of business or falling off of orders on the part of Baltimore manufacturers.

Exhibit 2 indicates the payroll stability of the Baltimore and Maryland Men's Clothing Industry, as contrasted with the payroll stability of the national industry. It can be seen that up through the first half of 1934, the Baltimore and Maryland employment indices are consistently higher than the national index. As noted in the preceeding paragraph, and as indicated in the body of the report, such decline is due entirely to the migration of two firms, and not to any wide-spread cutting of wages.

## SCOPE OF THE INDUSTRY.

The chief manufacturing centers of the Men's (Dress) Clothing Industry in the order of their importance are:

1. New York City
2. Chicago
3. Philadelphia
4. Rochester
5. Baltimore
6. Cincinnati
7. Cleveland
8. Boston
9. St. Louis
10. Milwaukee

According to the last report of the U. S. Bureau of the Census, these ten centers together in 1933

(1). employed 69.3% of the total number of wage earners in the industry,

(2). paid 75.6% of the total wages in the industry,

(3). manufactured 79.5% of the total value of products in the industry, and

(4). maintained 81.5% of the establishments in the industry.

Collectively these ten centres represent the backbone of the industry. The major clothing industry center in the country from the point of view of the number of wage earners, value of products, wages paid, and establishments, is New York. Throughout the entire history of the industry, New York has dominated the picture.

TABLE 1
MEN'S CLOTHING INDUSTRY
EMPLOYMENT

Wage Earners By Cities

| Year | U. S. | N.Y.City | Chicago | Phila. | Boston | Clev. | St.Louis | Mil. | Cinn. | Balto. | Roch. | Other Cities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1923 | 158,173 | 37,648 | 28,678 | 9,260 | 4,818 | 4,636 | 3,322 | 1,568 | 5,970 | 7,849 | 10,963 | 43,461 |
| 1925 | 141,511 | 29,717 | 21,283 | 8,956 | 3,853 | 4,474 | 3,402 | 1,220 | 6,678 | 8,771 | 10,088 | 43,069 |
| 1927 | 146,099 | 30,687 | 19,494 | 10,430 | 4,193 | 4,501 | 3,831 | 2,300 | 7,026 | 8,392 | 11,325 | 43,920 |
| 1929 | 149,868 | 28,498 | 17,706 | 10,743 | 3,941 | 5,645 | 3,946 | 1,972 | 5,878 | 9,363 | 10,647 | 51,529 |
| 1931 | 121,964 | 24,903 | 13,954 | 12,376 | 3,888 | 4,828 | 2,812 | 1,421 | 5,610 | 8,895 | 8,326 | 34,951 |
| 1933 | 119,253 | 26,138 | 11,754 | 12,681 | 3,710 | 4,582 | 2,614 | 1,099 | 4,734 | 8,268 | 6,992 | 36,681 |
| 1934 | 128,010 | 28,675 | 16,002 | 10,624 | 2,432 | 4,992 | 1,664 | 768 | 6,144 | 7,297 | 9,089 | 40,323 |
| | | | | PER CENT BASED ON YEAR 1929 = 100 | | | | | | | | |
| 1923 | 105.5 | 132.1 | 162.0 | 86.2 | 122.3 | 82.1 | 84.2 | 79.5 | 101.6 | 83.8 | 103.0 | 84.3 |
| 1925 | 94.4 | 104.3 | 120.2 | 83.4 | 97.8 | 79.2 | 86.2 | 61.9 | 113.6 | 93.7 | 94.7 | 83.6 |
| 1927 | 97.5 | 107.7 | 110.1 | 97.1 | 106.4 | 79.7 | 97.1 | 116.6 | 119.5 | 89.6 | 106.4 | 85.2 |
| 1929 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1931 | 81.4 | 87.4 | 78.8 | 115.2 | 98.7 | 85.5 | 71.3 | 72.1 | 95.4 | 95.0 | 78.2 | 67.8 |
| 1933 | 79.6 | 91.7 | 66.4 | 118.0 | 94.1 | 81.2 | 66.2 | 55.7 | 80.5 | 88.3 | 65.7 | 71.2 |
| 1934 | 85.4 | 100.6 | 90.4 | 98.9 | 61.7 | 88.4 | 42.2 | 38.9 | 104.5 | 77.9 | 85.4 | 78.3 |
| | | | | EACH CITY AS PER CENT OF UNITED STATES | | | | | | | | |
| 1923 | 100.0 | 23.8 | 18.1 | 5.9 | 3.0 | 2.9 | 2.1 | 1.0 | 3.8 | 5.0 | 6.9 | 27.5 |
| 1925 | 100.0 | 21.0 | 15.0 | 6.3 | 2.7 | 3.2 | 2.4 | 0.9 | 4.7 | 6.2 | 7.1 | 30.4 |
| 1927 | 100.0 | 21.0 | 13.3 | 7.1 | 2.9 | 3.1 | 2.6 | 1.6 | 4.8 | 5.7 | 7.8 | 30.1 |
| 1929 | 100.0 | 19.0 | 11.8 | 7.2 | 2.6 | 3.8 | 2.6 | 1.3 | 3.9 | 6.3 | 7.1 | 34.4 |
| 1931 | 100.0 | 20.4 | 11.4 | 10.1 | 3.2 | 4.0 | 2.3 | 1.2 | 4.6 | 7.3 | 6.8 | 28.7 |
| 1933 | 100.0 | 21.9 | 9.9 | 10.6 | 3.1 | 3.8 | 2.2 | 0.9 | 4.0 | 7.0 | 5.9 | 30.7 |
| 1934 | 100.0 | 22.4 | 12.5 | 8.3 | 1.9 | 3.9 | 1.3 | 0.6 | 4.8 | 5.7 | 7.1 | 31.5 |
| Year | U. S. | N.Y. City | Chicago | Phila. | Boston | Clev. | St. Louis | Mil. | Cinn. | Balto. | Roch. | Other Cities |

Source: U. S. Census Report, 1923-33, 1934 From N.R.A. Reports

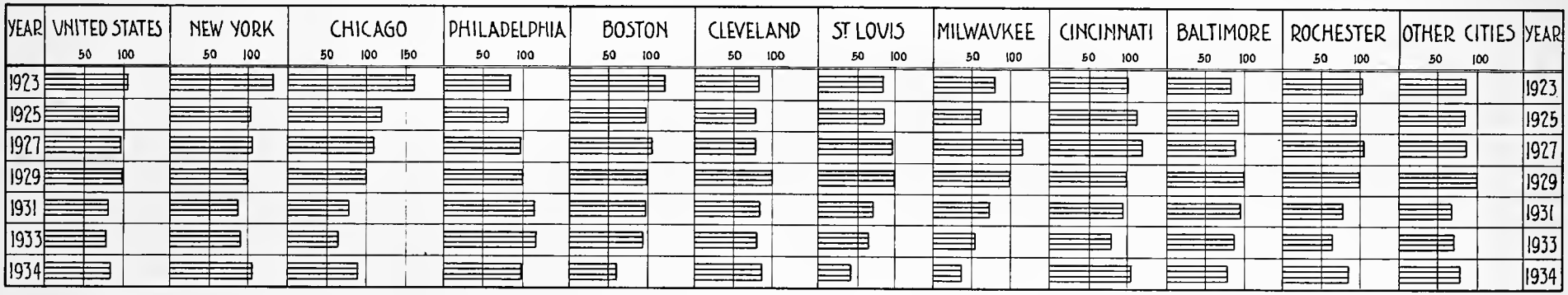
This Table contains the data for Exhibit 3.

EXHIBIT-3

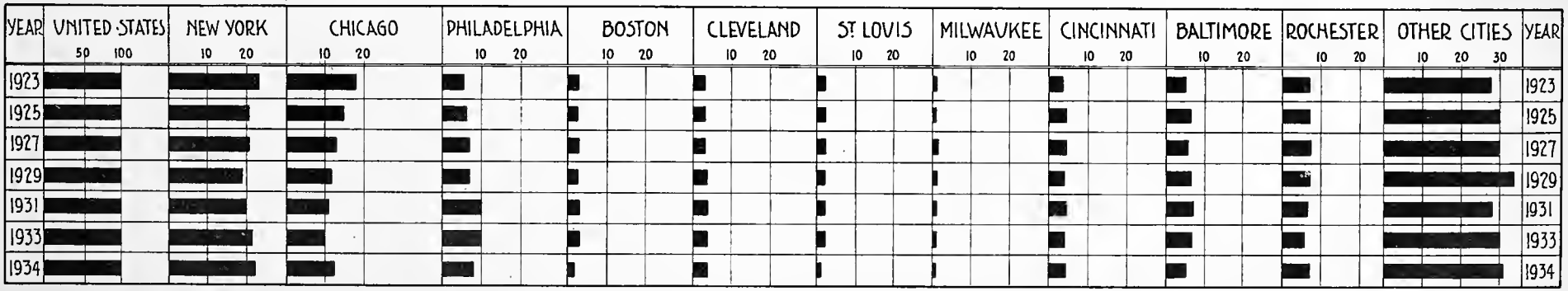
# MEN'S CLOTHING INDUSTRY EMPLOYMENT.

WAGE EARNERS
BY CITIES.

PER CENT BASED ON YEAR 1929=100




EACH CITY AS PER CENT OF UNITED STATES
U.S. EACH YEAR=100




-SOURCE-
U.S. CENSUS REPORTS 1923-33,
1934 FROM N.R.A. REPORTS.

NOTE: EXCLUDING WORK CLOTHING.

WAGE EARNERS.

Table 1 and Exhibit 3 give the number of wage-earners in the entire industry broken down separately for each of the important centers. The upper half of the exhibit indicates the rise and fall of each city's clothing employment as compared with the employment in 1929, which is considered 100, the lower half of the exhibit indicates for any census year, for any major city, what per cent of the total United States men's clothing employment is to be found in that city. The purpose of the lower half of the exhibit is to indicate whether or not a city has maintained its relative position as a clothing center, regardless of whatever rise or decline is indicated in the upper half of the exhibit.

By examining this exhibit we can ascertain exactly the degree of employment recovery in the men's clothing industry in each of the major centers throughout the country. An examination of the upper half of Exhibit 3 and Table 2 will reveal that the degree of employment recovery in each major center varies considerably. If 1929 = 100 then the following is the situation:

TABLE 2

| City | Employment Recovery Index 1929 = 100 |
|---|---|
| | 1934 |
| Cincinnati | 104.5 |
| New York City | 100.6 |
| Philadelphia | 98.6 |
| Chicago | 90.4 |
| Cleveland | 88.4 |
| Rochester | 85.4 |
| United States (Men's Clothing Industry) | 85.4 |
| Other Cities (outside the major cities) | 78.3 |
| Baltimore | 77.9 |
| Boston | 61.7 |
| St. Louis | 42.2 |
| Milwaukee | 38.9 |

Baltimore having an employment index of 77.9 is below the national level of 85.4.

Together with this fact concerning the per cent rise or fall from the 1929 level, it is essential to remember that every city has a certain per cent of the national clothing employment determining its status as part of the national industry. Not only may a city's clothing employment rise or fall, but the per cent that its employees is of the total number of employees in the industry may rise or fall.[1] The latter per cent determines whether or not a city is still maintaining its relative position in the industry -- a fact which cannot be ascertained from Table 2. A glance at Table 3 will soon clarify the point at hand.

TABLE 3

| City | Each city's men's clothing employment as per cent of the U. S. men's clothing employment. | | Per cent change 1929 through 1934. |
|---|---|---|---|
| | 1929 | 1934 | |
| Cincinnati | 3.9 | 4.8 | + 23.0 |
| New York City | 19.0 | 22.4 | + 17.8 |
| Philadelphia | 7.2 | 8.3 | + 15.2 |
| Chicago | 11.8 | 12.5 | + 5.9 |
| Cleveland | 3.8 | 3.9 | + 2.6 |
| Rochester | 7.1 | 7.1 | 0 |
| Other Cities (outside major centers) | 34.4 | 31.5 | - 8.4 |
| Baltimore | 6.3 | 5.7 | - 9.5 |
| Boston | 2.6 | 1.9 | - 26.9 |
| St. Louis | 2.6 | 1.3 | - 50. |
| Milwaukee | 1.3 | 0.6 | - 53.8 |

If we place Table 2 and Table 3 together we arrive at the following result:

[1] Lower half of Exhibit 3.

TABLE 4

| City | (Table 2) Employment Recovery index, per cent 1929 = 100 1934 | (Table 3) Change from 1929 through 1934 in the per cent that each city's men's clothing employment is of the U. S. men's clothing employment, per cent 1934 |
|---|---|---|
| Cincinnati | 104.5 | + 23.0 |
| New York City | 100.6 | + 17.8 |
| Philadelphia | 98.6 | + 15.2 |
| Chicago | 90.4 | + 5.9 |
| Cleveland | 88.4 | + 2.6 |
| Rochester | 85.4 | 0 |
| United States | 85.4 | |
| Other Cities (outside major centers) | 78.3 | - 8.4 |
| Baltimore | 77.9 | - 9.5 |
| Boston | 61.9 | - 26.9 |
| St. Louis | 42.2 | - 50. |
| Milwaukee | 38.9 | - 53.8 |

From Table 4 we can at least infer one fact, viz., that while the entire industry recovered fairly well from the depression (index for the U. S. men's clothing employment, 1934 = 84.5) nevertheless the unevenness with which recovery did come makes it fairly evident that some centers never recovered any part of the business they lost, others recovered it only in part, and still others not only recovered their lost business quickly, but also received a portion of the business which conceivably might have returned to Baltimore, St. Louis, Boston, etc. All those cities in Table 4, whose indices in the left hand column are higher than the index of the United States clothing industry in the same column, have recovered more rapidly than the industry as a whole, and it will be noted that these same cities which have recovered more rapidly than the industry as a whole nationally, have also increased the per cent that their men's clothing em-

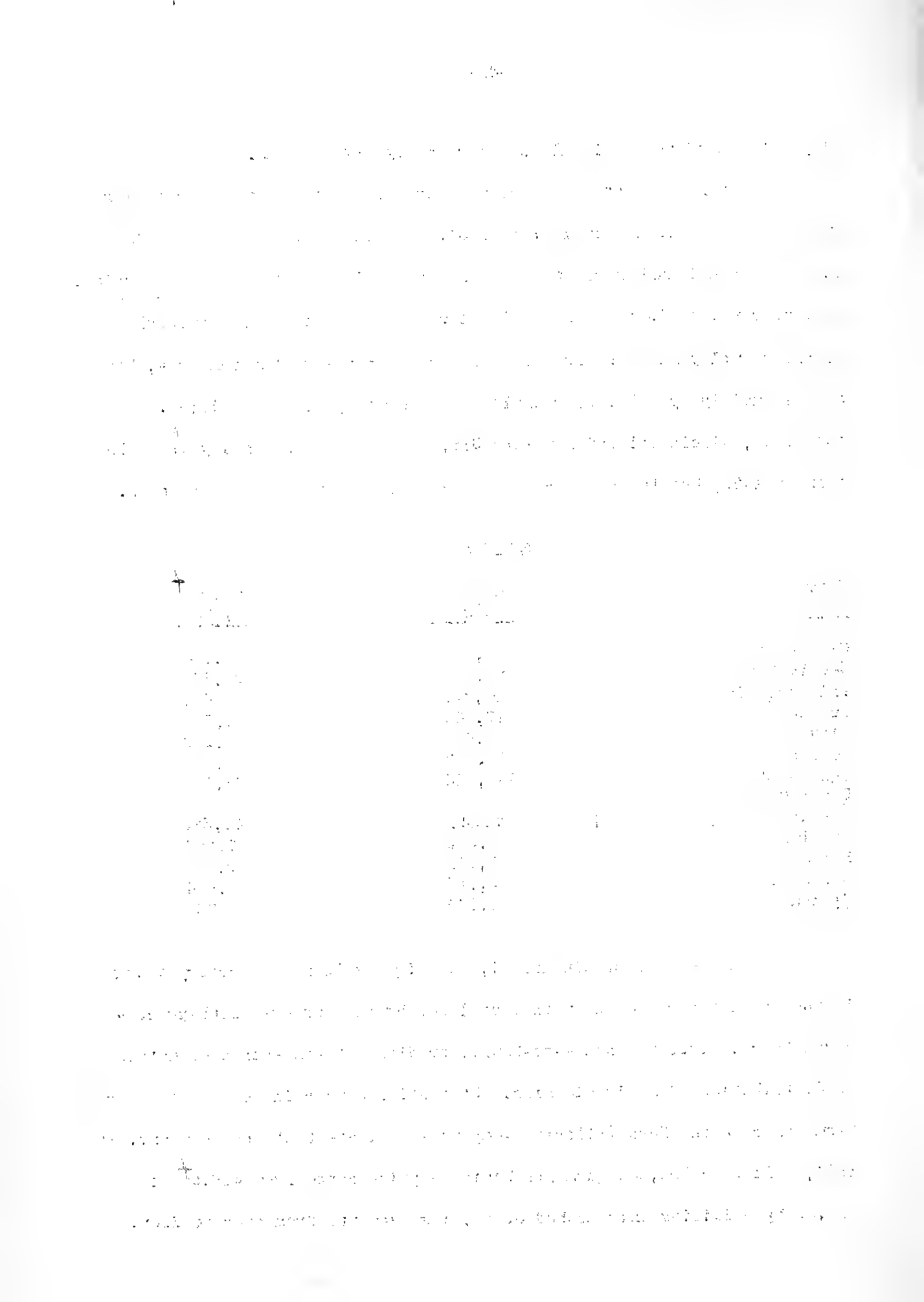
ployment was of the national clothing employment in 1929.

From the fact that a city's per cent of the national clothing employment has risen from 1929 to 1934, it does not necessarily follow that the actual number of employees has also risen in the same proportion. What does follow is that those cities whose per cent of the national clothing employment has risen in the period from 1929 through 1934, have done so mainly by not losing employees as rapidly as other cities. In two cases, Cincinnati and New York City do we find more employees in 1934 than in 1929, but the contrary is the case in all the other instances.

TABLE 5

| City | Employees 1929 | Employees 1934 |
|---|---|---|
| Cincinnati | 5,878 | 6,144 |
| New York City | 28,498 | 28,675 |
| Philadelphia | 10,743 | 10,624 |
| Chicago | 17,706 | 16,002 |
| Cleveland | 5,645 | 4,992 |
| Rochester | 10,647 | 9,089 |
| United States | 149,868 | 128,010 |
| Other Cities (outside major centers) | 51,529 | 40,323 |
| Baltimore | 9,363 | 7,297 |
| Boston | 3,941 | 2,432 |
| St. Louis | 3,946 | 1,664 |
| Milwaukee | 1,972 | 768 |

In the case of Cincinnati, the high employment recovery index is due in most part to the method utilized by the largest clothing concerns there, viz., the house-to-house, or direct-to-the-consumer method of distribution of men's clothing. Statistics concerning one of the large firms there - the Nash Tailoring Company - indicate that that company, in 1934, sold over 300,000 garments having a price range from $18.50 to $50.00 by utilizing this method of selling garments from door to door.



The purchasermakes his selection from sample swatches and is measured by the manufacturer's agent who follows the manufacturer's printed directions on the subject. The most fertile field for this type of business has always been the Southern and Western states. This is probably due to the fact that many local stores in the Southern and Western states do not have the finances or space to enable them to stock complete lines of clothing of known brands.

House-to-house selling is one of the oldest methods of distribution varying greatly from year to year.

"It develops very rapidly during and after a period of business depressions. When business improves, employment is greater and money is more free, and house-to-house selling apparently declines. During the past 40 years there have been three active periods of house-to-house selling; that is, periods in which this method of distribution to consumers has assumed proportions sufficiently large to threaten the regular retail channels. These three periods were from 1894 to 1899, 1908 to 1912, and again from 1921 to 1925. In each case the period of active development of house-to-house selling followed a business depression. If this explanation is correct, it may be assumed that whenever there is another business depression a period of active house-to-house selling will follow and that as business improves this method of distribution may again decline in importance." [1]

The New York City producing area offers unique opportunities entirely unlike any other producing area in the country. For one, the industry there manufactures about one-third of all the men's clothing garments in the country, and every conceivable type of men's garments. By that is meant that not only is the volume greater, but the variety of men's clothing produced in the New York City area is far greater than the variety produced elsewhere. This diversity of the product is of great importance, for buyers coming into the New York City market can immediately be shown complete lines of every type of clothing desired. Then again, the diversity of products permits the industry in New York City to concentrate on the lines that are selling and drop the "slow" varieties.

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[1] Fred E. Clark - Readings in Marketing.

TABLE 6

Firms With New York City Offices
Which Manufacture Outside New York State

Alco Zander Co. - Philadelphia
Baker Clothes, Inc. - Philadelphia
Baltimore Clothes, Inc. - Baltimore
Bangor Clothing Mfg. Co., Inc. - Bangor, Pa.
Barron Anderson Co. - Chicago - Boston
Block Co., The - Cleveland
Braeburn of Rochester - Rochester
Curlee Clothing Co. - St. Louis, Mo. - Mayfield, Ky.
Daroff, H. & Sons, Inc. - Philadelphia
Decker, Alfred, & Cohn, Inc. - Chicago
Eisner, Sigmund Co. - Red Bank, N. J.
Fashion Park Mfg. Corp. - Rochester
Fine, Max & Co. - Philadelphia
Finkelstein, Sam & Co. - Norfolk, Va.
Freeman, H. & Son - Philadelphia
Friedman-Harry Marks Clo. Co., Inc. - Richmond, Va.
Goldsmith, Louis, Inc. - Philadelphia
Goodmate Co., The - Philadelphia
Greif, L. & Bro., Inc. - Baltimore
Gutman, E. & Sons, Inc. - Philadelphia
Hammonton Park Clothes, Inc. - Hammonton, N. J.
Hart, Schaffner & Marx - Chicago
Hickey Freeman Co. - Rochester
Joseph & Feiss Co., The - Cleveland
Keller-Heumann-Thompson Co., Inc. - Rochester
Kirschbaum, A. B., Co., Inc. - Philadelphia
Kuppenheimer, B. & Co., Inc. - Chicago
Lamm Bros. - Baltimore
Langrock Cl. Co. - New Haven, Conn.
Layman, Berkwitz & Scott, Inc. - Newburgh, N. Y.
Lebow Brothers - Baltimore
Levy Bros. & Adler Inc. - Rochester
Lieberman, Aron & Sons - Philadelphia
Lob-Hubbart, Inc. - Philadelphia
Maimon, B. & Son - Philadelphia
Makransky, S. & Son - Philadelphia
Middishade Co., Inc., The - Philadelphia
Morse Leopold Co. - Boston
Padi Clothes, Inc. - Philadelphia
Philco Clothing Co. Inc. - Philadelphia
Pincus Brothers, Inc. - Philadelphia
Progressive Clo. Mfg. Co. - Philadelphia
Rosenthal, H. B. - Ettlinger Co. - Poughkeepsie, N. Y.
Schloss Bros. & Co., Inc. - Baltimore
Schoeneman, J., Inc. - Baltimore
Seinsheimer, H. A. Co., Inc. - Cincinnati
Siegel, Jacob Co. - Philadelphia
Silvertex Co., The - Philadelphia

Singer & Snow Co. - Boston
Sportswear, Inc. - Baltimore
Stein-Bloch Co. - Rochester
Surrey, Robert - London
Teplick & Eisenber Bros. - Philadelphia
Trimcunt Clo. Co., Inc. - Boston
Weinberg-Schiller Co. - Chicago
Weitz, S. & Co. - Cleveland
Wile, N. & Co. - Buffalo

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Source: Directory of New York, "Men's Wear" (Fall, 1934).

Such diversity of product is not evident to any degree in some markets, and only evident to a limited degree in other markets. For instance, Chicago, Rochester, St. Louis, and Baltimore, have heretofore (or at least up to 1935) limited themselves, or have been limited, for one reason or another, to a few types of garments, and if the demand for these types drops, the entire industry in that city begins to slump.

This diversity of clothing products available in New York City accounts for the great number of resident buyers who maintain offices in New York City.[1] These buyers, some of whom represent hundreds of firms, and some of whom represent individual concerns, in purchasing for their firms are more apt to buy New York City manufactured clothing than clothing manufactured by an outsider who maintains a selling office in New York City. This is usually due to the fact that the New York City manufacturer can take the buyer into the factory and display the actual garments. This, coupled with the fact that the buyer can find every possible variety of men's garments in New York City, is of great importance. The manufacturer from another city, who maintains a selling office in New York City, usually has a very limited variety of garments to sell, and usually he has few samples available. The list of firms given in Table 6 indicates some of the larger firms which maintain selling offices in New York City.

Then again, the amusement attractions of New York City are not to be underestimated as another reason for the desire of individual buyers to travel to New York City in order to make clothing purchases. Very few buyers ever travel to another city in order to purchase their clothing.

It is of some interest to contrast the employment recovery index of each of the major clothing centers with the employment recovery index of the men's clothing industry of the state in which each center is located.

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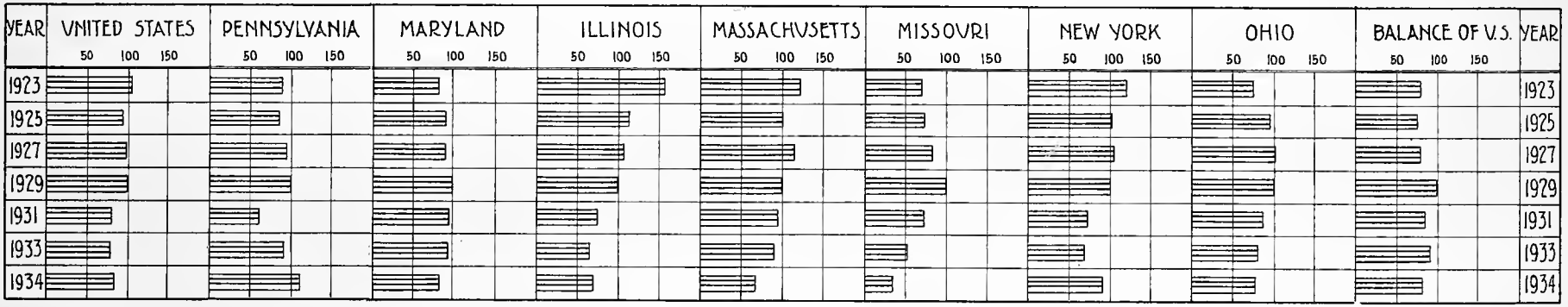
1 There are about three thousand department and speciality stores in the United States which have New York City buying affiliations of some kind.

EXHIBIT-4

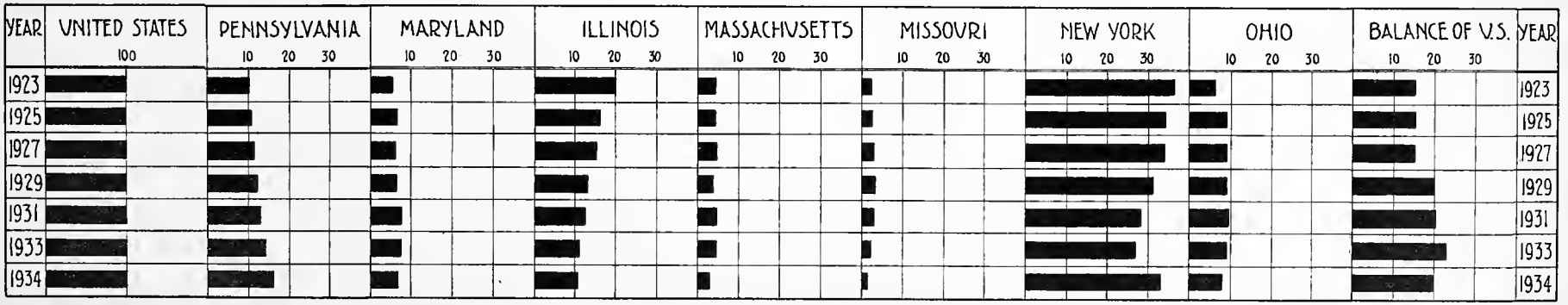
# MEN'S CLOTHING INDUSTRY
# EMPLOYMENT.

WAGE EARNERS
BY STATES.

PER CENT BASED ON YEAR 1929-100




EACH STATE AS PER CENT OF UNITED STATES.
U.S. EACH YEAR-100




SOURCE.
U.S.CENSUS REPORTS 1923-33
1934 FROM N.R.A. REPORTS.

NOTE: EXCLUDING WORK CLOTHING.

TABLE 8
MEN'S CLOTHING INDUSTRY
EMPLOYMENT

Wage Earners By States

| Year | U. S. | Pennsylvania | Maryland | Illinois | Massachusetts | Missouri | New York | Ohio | Balance of U. S. |
|---|---|---|---|---|---|---|---|---|---|
| 1923 | 158,173 | 16,516 | 8,199 | 31,961 | 6,840 | 3,530 | 56,994 | 10,024 | 24,109 |
| 1925 | 141,511 | 15,680 | 9,228 | 23,499 | 5,593 | 3,620 | 48,537 | 12,652 | 22,702 |
| 1927 | 146,099 | 17,378 | 8,816 | 22,060 | 6,488 | 4,171 | 49,523 | 13,318 | 24,345 |
| 1929 | 149,868 | 18,473 | 10,007 | 20,304 | 5,551 | 4,957 | 47,210 | 13,215 | 30,151 |
| 1931 | 121,964 | 16,274 | 9,642 | 15,203 | 5,345 | 3,760 | 34,805 | 11,536 | 25,399 |
| 1933 | 119,253 | 17,116 | 9,482 | 13,448 | 5,143 | 2,663 | 33,086 | 10,744 | 27,571 |
| 1934 | 128,010 | 18,866 | 8,565 | 18,338 | 3,041 | 1,866 | 43,395 | 12,369 | 21,570 |
| | | | | PER CENT BASED ON YEAR 1929 = 100 | | | | | |
| 1923 | 105.54 | 89.41 | 81.93 | 157.41 | 123.22 | 71.21 | 120.72 | 75.85 | 79.96 |
| 1925 | 94.42 | 84.88 | 92.21 | 115.74 | 100.75 | 73.03 | 102.81 | 95.74 | 75.29 |
| 1927 | 97.49 | 94.07 | 88.10 | 108.65 | 116.88 | 84.14 | 104.90 | 100.78 | 80.74 |
| 1929 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 1931 | 81.38 | 61.03 | 96.35 | 74.88 | 96.45 | 75.85 | 73.72 | 87.29 | 84.24 |
| 1933 | 79.57 | 92.65 | 94.75 | 66.23 | 92.65 | 53.72 | 70.08 | 81.30 | 91.44 |
| 1934 | 85.42 | 112.95 | 85.59 | 70.62 | 69.19 | 37.64 | 91.92 | 78.46 | 82.15 |
| | | | | EACH STATE AS PER CENT OF UNITED STATES | | | | | |
| 1923 | 100.00 | 10.44 | 5.18 | 20.21 | 4.32 | 2.23 | 36.03 | 6.34 | 15.25 |
| 1925 | 100.00 | 11.08 | 6.52 | 16.61 | 3.95 | 2.56 | 34.30 | 8.94 | 16.04 |
| 1927 | 100.00 | 11.89 | 6.03 | 15.10 | 4.44 | 2.86 | 33.90 | 9.11 | 16.67 |
| 1929 | 100.00 | 12.32 | 6.68 | 13.55 | 3.70 | 3.31 | 31.50 | 8.82 | 20.12 |
| 1931 | 100.00 | 13.34 | 7.91 | 12.46 | 4.38 | 3.08 | 28.55 | 9.46 | 20.82 |
| 1933 | 100.00 | 14.35 | 7.95 | 11.27 | 4.31 | 2.23 | 27.75 | 9.01 | 23.13 |
| 1934 | 100.00 | 16.30 | 6.69 | 11.20 | 3.00 | 1.46 | 33.90 | 8.10 | 19.35 |
| Year | U. S. | Pennsylvania | Maryland | Illinois | Massachusetts | Missouri | New York | Ohio | Balance of U. S. |

Source: U.S. Census Reports 1923-33, N.R.A. Reports for 1934

This Table contains data for Exhibit 4.

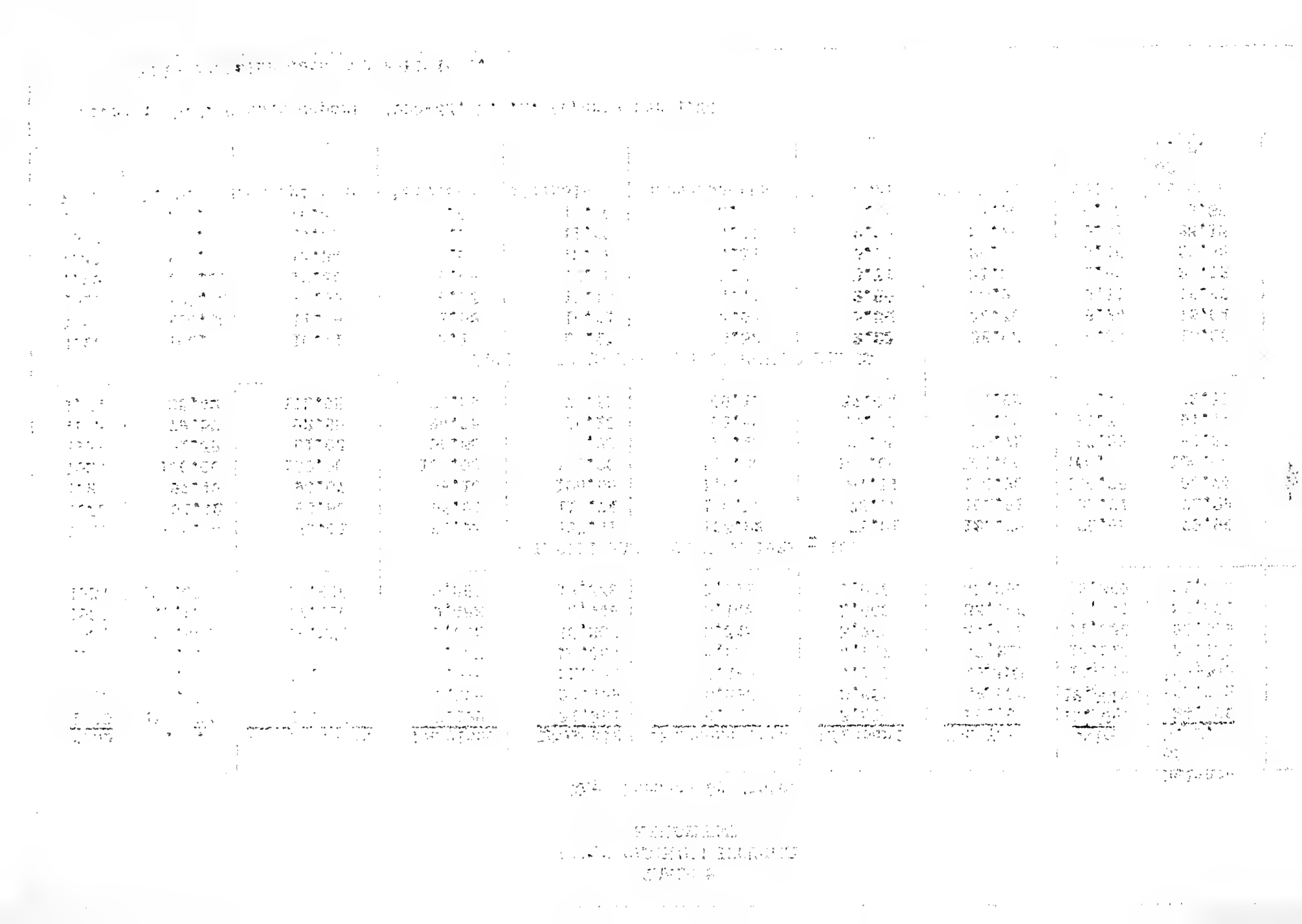
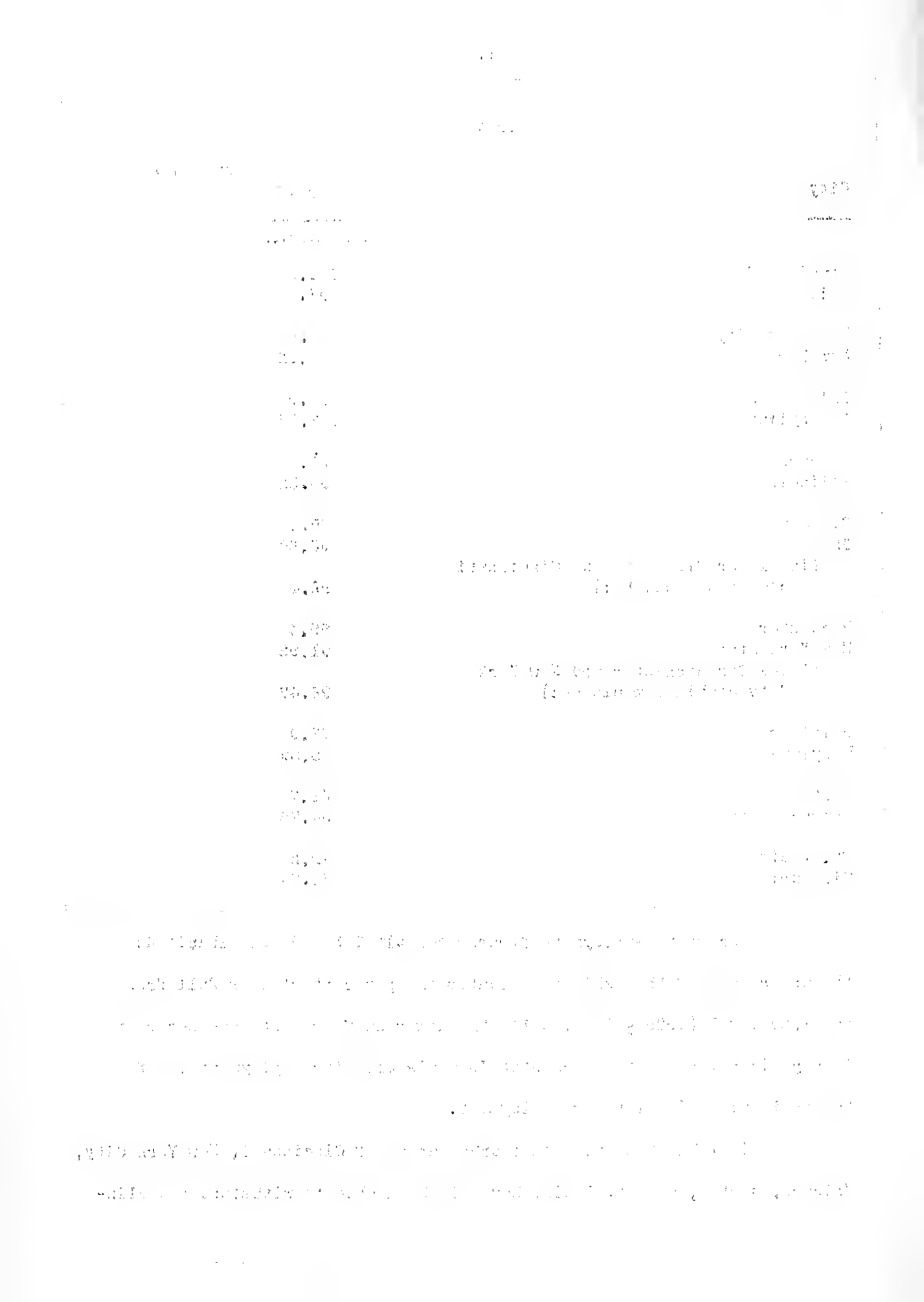


TABLE 7

| City | Employment Recovery Index 1929 = 100 |
|---|---|
| | 1934 |
| Cincinnati | 104.5 |
| Ohio | 93.6 |
| New York City | 100.6 |
| New York State | 91.92 |
| Philadelphia | 98.9 |
| Pennsylvania | 102.13 |
| Chicago | 90.4 |
| Illinois | 90.32 |
| Cleveland | 88.4 |
| Ohio | 93.60 |
| (index for Cleveland and Cincinnati combined would be:) | 96.4 |
| Rochester | 85.4 |
| New York State | 91.92 |
| (index for Rochester and New York City combined would be:) | 96.47 |
| Baltimore | 77.9 |
| Maryland | 85.59 |
| Boston | 61.7 |
| Massachusetts | 54.78 |
| St. Louis | 42.2 |
| Missouri | 34.74 |

For state employment figures consult Table 8 and Exhibit 4; the upper half of the exhibit indicates the per cent rise or fall from the 1929 level (1929 = 100), while the lower half presents the per cent in any given year that each state's men's clothing employment is of the national men's clothing employment.

In Table 7 we find that urban areas of Cincinnati, New York City, Chicago, Boston, and St. Louis, have all been able to withstand a declin-



ing market with a greater degree of success than the rural clothing producing areas of the same states in which these cities are located. Since the object of this particular comparison is to indicate the relative resistance of rural and urban areas, we can likewise rule out Cleveland and Rochester. Although the employment recovery index for Ohio is higher than the index for Cleveland, and the employment recovery index of New York State is higher than the index for Rochester, nevertheless the indices of Ohio and New York State are raised by other cities in those states and not by rural areas. As we have seen in Table 7 the combined employment recovery index for New York City and Rochester is 96.4, while the state index is 91.9; the case is similar in Ohio, where the combined employment recovery index for Cleveland and Cincinnati is 96.6, while the state index is 93.6.

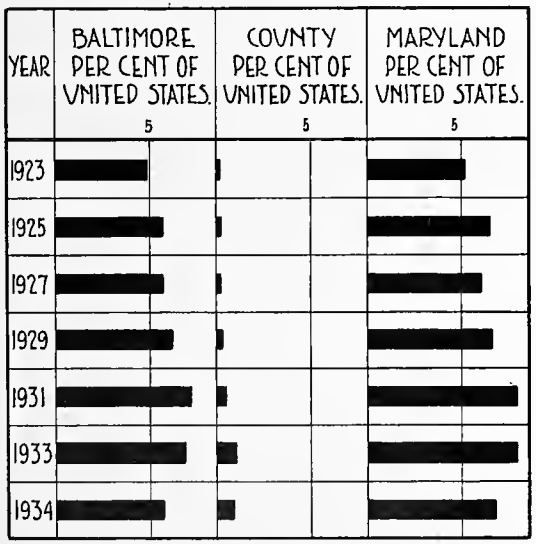
Therefore, the only instances in which rural areas have higher employment recovery indices than urban centers are found in Pennsylvania and Maryland. The Pennsylvania employment index is 102.13, while the Philadelphia index is 98.9; the Maryland employment index is 85.59; while the Baltimore index is 77.9.

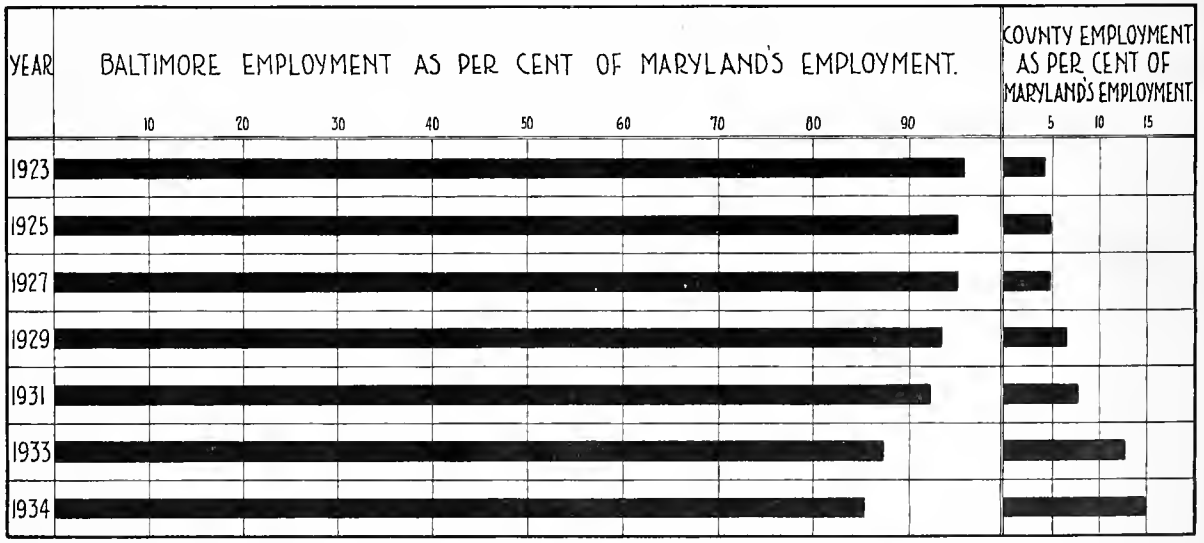
In the case of Pennsylvania we find that during the N.R.A. days innumerable manufacturers from New York City and Philadelphia set up contract shops in all outlying districts of that State. In this manner the higher labor cost of the unionized shop could be avoided. The cost of shipping the cut garment from the manufacturer in New York City to any rural part of Pennsylvania and back to New York City was approximately 5¢ per garment for the round trip. The saving in labor cost was infinitely greater.

# EXHIBIT - 5

## MEN'S CLOTHING INDUSTRY
## EMPLOYMENT.

COMPARATIVE TRENDS OF EMPLOYMENT IN MARYLAND.




-SOURCE-
U.S. CENSUS REPORTS 1923-33.
1934 FROM N.R.A. REPORTS.

NOTE: EXCLUDING WORK CLOTHING.

In the case of Maryland we find that over a period of the last three or four years, manufacturers have been slowly moving out of the city of Baltimore. This has been due in the most part to the fact that very cheap Baltimore clothing has always been able to undersell clothing of the same grade manufactured in other cities, and this in turn was due to the low wages prevalent in the Baltimore area. With the coming of the union to Baltimore in 1931 (see Exhibit 5) those Baltimore manufacturers whose markets were mainly in the far south and west, and whose greatest selling asset was the low price of their commodity were forced to move from the city. They went, more and more of them, to the rural areas of Maryland, Pennsylvania, and West Virginia. Another fact of some importance in explaining the index of the rural sections of Maryland is the coming of contract shops from Philadelphia and New York City to those rural areas rather than to Baltimore. These were not many in number, but they served to maintain the Maryland employment recovery index at a higher level than the Baltimore index.

But aside from Baltimore and Philadelphia this apparently greater resistance on the part of urban centers to a declining market was not the case, not withstanding the evidence presented in the Table 7. The resistance there is greatly colored by the incidence of the N.R.A. Prior to the coming of the N.R.A., some manufacturers who produced cheap garments (up to $15.00 retail), or medium grade garments (up to $20.00 retail) and who had sufficient capital, moved their plants out of the city and into some rural section. The amount of capital necessary to set up one of these rural plants was usually considerably larger than the amount of capital necessary to set up a plant of the same size in some city. This large capital was necessary in spite of the fact that rural towns usually

offered the manufacturer a factory site rent-free for a few years, tax exemption for a few years, moving expenses from the city to the rural town, and a surplus of labor costing about 50% less than city labor would cost. The large capital was necessary because the type of labor that was available in these rural towns needed a year or two of training before any profit could be made on the manufactured garment. Employees had to be broken in, - which required time -, their skill had to be improved, and the waste of material due to inefficient employees was tremendous. All this required a great deal of capital to keep the plant in operation. When the second or third year came around the owner of such a rural factory was able to earn enough profit in six months to repay him for his losses of the first year or two. After this training period the rural manufacturer could turn out almost as many garments as he formerly could with his city employees - with the labor cost cut in half. Since the cost of labor is about 33% of the cost of the average garment, the saving to the rural manufacturer was tremendous.

Besides these rural manufacturers, there were also present a great number of contract shops in the rural districts of clothing manufacturing states. These had been set up because a declining market placed a great pressure on every manufacturer to cut his labor costs - and thereby cut his final price - as much as possible. By employing a contractor in a rural district the urban manufacturer could have his work done for about half the cost that would be charged by the city contractors.

With the coming of the N.R.A. and its minimum wage, and classified wage scale, the situation took on another hue. The rural manufacturer and the contractor found that the labor cost in the outlying section became almost as great as it was in the city. The city manu-

facturers who had depended upon the rural contractor for finishing their garments found that the cost of finishing these garments in the rural communities was almost as high as it was in the city. Then again, the actual tailoring of the garment made by rural employees was not quite as good as the tailoring performed by the skilled city employees. Heretofore this item of tailoring was disregarded since the differential in labor cost was so high. But with the differential in labor cost falling due to the imposition of the same minimum wages in the rural section and in the urban section, most city manufacturers dropped the rural contractors and reverted to the city contractors. The rural manufacturers who had originally moved out into the counties in order to escape the higher labor costs of the city had also done so in order to escape unionization of their plants. With the coming of the N.R.A., even though their labor costs went up almost as much as it would have gone up if they had moved back to the city, nevertheless by remaining in the rural community they could escape unionization. As a result most of the rural manufacturers remained in the counties and most of the contractors went out of business.

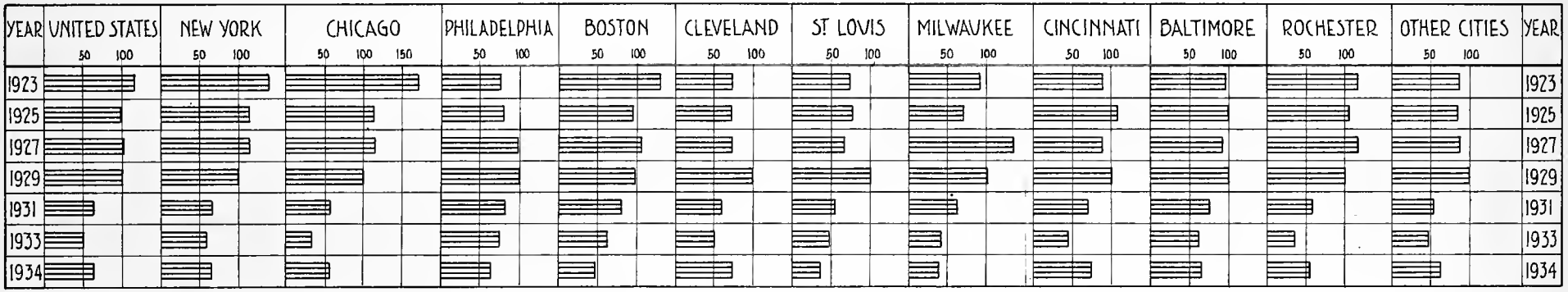
The only exceptions to this that we have noted were in the cases of Pennsylvania and Maryland. In these cases we found that not only did the rural manufacturer continue operations, but that contract shops (for vests and trousers) grew up instead of dying out. The difference between the New York City rate of pay and the Pennsylvania and Maryland rural community pay was so great that those manufacturers in New York City and in Philadelphia and in Baltimore who manufactured a very cheap grade requiring little or simple hand tailoring immediately set up smaller shops in the hills of Pennsylvania and Maryland - although to a much greater extent in Pennsylvania, since it was more accessible to New York City

EXHIBIT-6

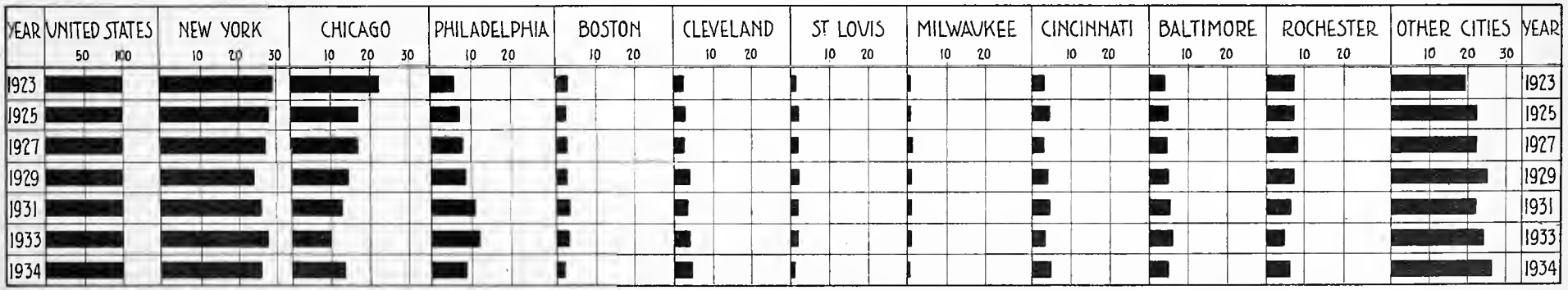
# MEN'S CLOTHING INDUSTRY
## -WAGES-

TOTAL WAGES
BY CITIES.

PER CENT BASED ON YEAR 1929=100




EACH CITY AS PER CENT OF UNITED STATES
U.S. EACH YEAR=100




-SOURCE-
U.S. CENSUS REPORTS 1923-33
1934 FROM N.R.A. REPORTS.

NOTE: EXCLUDING WORK CLOTHING.

TABLE 9
MEN'S CLOTHING INDUSTRY
WAGES
By Cities

Total Wages
(In $000)

| Year | U. S. | N.Y.City | Chicago | Phila. | Boston | Clev. | St.Louis | Mil. | Cinn. | Balto. | Roch. | Other Cities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1923 | 207,252 | 61,357 | 46,119 | 11,767 | 6,598 | 5,489 | 3,372 | 1,845 | 6,821 | 8,257 | 15,272 | 40,360 |
| 1925 | 179,045 | 50,655 | 30,454 | 12,586 | 4,717 | 5,340 | 3,581 | 1,429 | 8,303 | 8,680 | 13,629 | 39,672 |
| 1927 | 184,613 | 50,770 | 31,018 | 14,654 | 5,329 | 5,406 | 3,758 | 2,773 | 6,696 | 7,987 | 15,186 | 41,035 |
| 1929 | 179,769 | 44,101 | 26,693 | 15,015 | 4,967 | 7,407 | 4,057 | 2,036 | 7,607 | 8,589 | 12,930 | 46,367 |
| 1931 | 115,040 | 29,945 | 15,489 | 12,495 | 4,099 | 4,455 | 2,256 | 1,267 | 5,367 | 6,673 | 7,732 | 25,264 |
| 1933 | 92,266 | 25,718 | 9,403 | 11,136 | 3,176 | 3,821 | 1,906 | 893 | 3,550 | 5,490 | 4,586 | 22,588 |
| 1934 | 113,436 | 29,494 | 15,710 | 9,983 | 2,363 | 5,490 | 1,500 | 804 | 5,633 | 5,585 | 7,061 | 29,813 |
| | | | | | PER CENT BASED ON YEAR 1929 = 100 | | | | | | | |
| 1923 | 115.3 | 139.1 | 172.8 | 78.4 | 132.7 | 74.1 | 83.1 | 90.6 | 89.7 | 96.1 | 118.1 | 87.0 |
| 1925 | 99.6 | 114.9 | 114.1 | 83.8 | 95.0 | 72.1 | 88.3 | 70.2 | 109.2 | 101.1 | 105.4 | 85.6 |
| 1927 | 102.7 | 115.1 | 116.2 | 97.6 | 107.3 | 73.0 | 75.4 | 136.2 | 88.0 | 93.0 | 117.4 | 88.5 |
| 1929 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1931 | 64.0 | 67.9 | 58.0 | 83.2 | 82.5 | 60.1 | 55.6 | 62.2 | 70.6 | 77.7 | 59.8 | 54.5 |
| 1933 | 51.3 | 58.3 | 35.2 | 74.2 | 63.9 | 51.6 | 47.0 | 43.9 | 46.7 | 63.9 | 35.5 | 48.7 |
| 1934 | 63.1 | 66.9 | 58.9 | 66.5 | 47.6 | 74.1 | 37.0 | 39.5 | 74.1 | 65.0 | 54.6 | 64.3 |
| | | | | | EACH CITY AS PER CENT OF UNITED STATES | | | | | | | |
| 1923 | 100.0 | 29.6 | 22.3 | 5.7 | 3.2 | 2.6 | 1.6 | 0.8 | 3.3 | 4.0 | 7.4 | 19.5 |
| 1925 | 100.0 | 28.3 | 17.0 | 7.0 | 2.6 | 3.0 | 2.0 | 0.8 | 4.6 | 4.8 | 7.6 | 22.2 |
| 1927 | 100.0 | 27.5 | 16.8 | 7.9 | 2.9 | 2.9 | 2.0 | 1.5 | 3.6 | 4.3 | 8.2 | 22.2 |
| 1929 | 100.0 | 24.5 | 14.8 | 8.4 | 2.8 | 4.1 | 2.3 | 1.1 | 4.2 | 4.8 | 7.2 | 25.8 |
| 1931 | 100.0 | 26.0 | 13.5 | 10.9 | 3.5 | 3.9 | 2.0 | 1.1 | 4.6 | 5.8 | 6.7 | 22.0 |
| 1933 | 100.0 | 27.9 | 10.2 | 12.1 | 3.4 | 4.1 | 2.1 | 1.0 | 3.8 | 6.0 | 5.0 | 24.4 |
| 1934 | 100.0 | 26.0 | 13.9 | 8.8 | 2.1 | 4.8 | 1.3 | 0.7 | 5.0 | 4.9 | 6.2 | 26.3 |
| Year | U. S. | N.Y.City | Chicago | Phila. | Boston | Clev. | St.Louis | Mil. | Cinn. | Balto. | Roch. | Other Cities |

Source: U. S. Bureau of Census Reports 1923-33, N.R.A. Reports for 1934.

*This Table contains the data for Exhibit 6.

market, and the wages were lower in Pennsylvania than in Maryland.

The average annual wage per employee in New York City in 1934 was $1,028.57 while the average annual wage per employee in the rural communities of Pennsylvania and Maryland in 1934 were respectively $568.61 and $746.08. The average annual wage per employee in the rural sections of New York State was $848.32 in 1934. Since the Pennsylvania towns were so much cheaper than any other adjoining area, the New York City manufacturers set up contract shops all over the state of Pennsylvania and to some little extent in Maryland.

WAGES.

In Table 9 and Exhibit 6 we find an elaboration of total wages paid throughout the industry. The upper half of the exhibit indicates the rise or fall of each city's total wages from each city's 1929 level; the lower half of the exhibit shows what portion of the total wage bill of the industry is paid by any city for any given census year. The per cent decline in total wages in each of the major centers was as follows:

TOTAL WAGES

TABLE 10

Wage Recovery Index, 1929 = 100

| City | 1934 |
|---|---|
| Cincinnati | 74.1 |
| Cleveland | 74.1 |
| New York City | 66.9 |
| Philadelphia | 66.5 |
| Baltimore | 65.0 |
| Other Cities | 64.3 |
| United States | 63.1 |
| Chicago | 58.9 |
| Rochester | 54.6 |
| Boston | 47.6 |
| Milwaukee | 39.5 |
| St. Louis | 37.0 |

It would seem from Table 10 that some cities, e.g., Cincinnati, New York, and Philadelphia and Baltimore, had resisted any large decline in total wages to their employees. It must be remembered that this index represents the percentage drop from the 1929 level; but the magnitude of the actual money loss may be greater in some cities whose percentage drop is less than the percentage drop of other cities. Unfortunately there are no man-hours data to calculate just how many man-hours in each city are compensated for by the total wage bill in each city. As a result in some cases we have discovered that while the total wage bill in the city has dropped, and while employment in the city has dropped, nevertheless the average annual earnings per employee may have gone up, or at least may not have fallen as radically as the percentage drop in total wages, or the percentage drop in employment. In Table 11 (taken from Tables 9 and 14) we can compare the average annual wage earned by an employee in each major city in 1929 and 1934, and the percentage drop in total wages for that same period in each city.

TABLE 11

| City | Index of total wages 1929 | Index of total wages (Wage Recovery index) 1934 | Index of Average Annual Wage 1929 | Index of Average Annual Wage 1934 |
|---|---|---|---|---|
| Cincinnati | 100 | 74.1 | 100 ($1,294.08) | 70.8 ( $916.81) |
| New York City | 100 | 66.9 | 100 ($1,547.52) | 66.4 ($1,038.57) |
| Philadelphia | 100 | 66.5 | 100 ($1,397.60) | 67.2 ( $938.39) |
| Chicago | 100 | 58.9 | 100 ($1,509.54) | 65.1 ( $981.74) |
| Cleveland | 100 | 74.1 | 100 ($1,312.11) | 93.8 ($1,229.81) |
| Rochester | 100 | 54.6 | 100 ($1,214.41) | 64.0 ( $776.90) |
| United States | 100 | 63.1 | 100 ($1,199.51) | 73.9 ( $886.15) |
| Other Cities | 100 | 64.3 | 100 ( $899.83) | 88.2 ( $759.36) |
| Baltimore | 100 | 65.0 | 100 ( $917.35) | 83.4 ( $765.39) |
| Boston | 100 | 47.6 | 100 ($1,260.42) | 77.1 ( $971.44) |
| St. Louis | 100 | 37.0 | 100 ($1,028.02) | 87.7 ( $901.17) |
| Milwaukee | 100 | 39.5 | 100 ($1,052.51) | 101.4 ($1,046.47) |

Unless the reason for the difference in the index of total wages and the index of average annual wages for each city for the period 1934 is clearly understood, it will certainly appear to be confusing to the reader. If we analyze the data presented in Table 11 and recall the employment data presented in Table 2 we will have a more orderly and comprehensive explanation of the different rates of decline of total wages and average annual wages per employee. For instance:

TABLE 12

| City | Index of Employment Recovery 1929 = 100 | Index of Total Wage Recovery 1929 = 100 | Index of Recovery of Average Annual Wage per Employee 1929 = 100 |
|---|---|---|---|
| | 1934 | 1934 | 1934 |
| Cincinnati | 104.5 | 74.1 | 70.8 |
| New York City | 100.6 | 66.9 | 66.4 |
| Philadelphia | 98.6 | 66.5 | 67.2 |
| Chicago | 90.4 | 58.9 | 65.1 |
| Cleveland | 88.4 | 74.1 | 83.8 |
| Rochester | 85.4 | 54.6 | 64.0 |
| United States | 85.4 | 63.1 | 73.9 |
| Other Cities | 78.3 | 64.3 | 82.2 |
| Baltimore | 77.9 | 65.0 | 83.4 |
| Boston | 61.9 | 47.6 | 77.1 |
| St. Louis | 42.2 | 37.0 | 87.7 |
| Milwaukee | 38.9 | 39.5 | 101.4 |

Table 12, while apparently confusing is extremely important for the point at hand. For example, if we take the city of Cincinnati, the first on the list, we discover that in 1934 it employed more men than it did in 1929, that its total wage bill was approximately 25.9% below the 1929 level and the average annual wage per employee was approximately 29.2% below the 1929 level. Consider New York City, the second on the list above. New York City employed 0.6 of 1% moreemployees in 1934 than it did in 1929, its total wage bill was 33.1% below the 1929 bill, and the average

annual wage per employee in New York City was 33.6% below the average annual wage in 1929. All the other cities in the list, show exactly the opposite characteristics of those of New York City and Cincinnati, viz., the decline of the index of total wages was greater than the decline of the index/average annual wages per employee. Our only method of judging to what extent wages have declined is to resort to a statistical device which will clarify the point at hand.

In the first column of Table 12, under the heading of "Index of Employment Recovery" for 1934 we notice the deviations from 100. Two cities, Cincinnati and New York, show favorable deviations, all the others show unfavorable deviations.

If we assume that every city's index of employment recovery in 1934 were 100, then we would have to adjust the index of total wages in order to compensate all the employees who, we are assuming, are hired again. This can be done by subtracting from, or adding to, the index of total wages, the per cent that the employment recovery index of every particular city deviates from 100. In this manner we will have adjusted each city's employment index to equal its 1929 employment index and we will have made another adjustment in the index of total wages to pay the extra employees taken on at the 1934 rate. Table 13 illustrates the result.

TABLE 13

| City | Assumed index of employment recovery 1929 = 100 1934 | Adjusted index of total wages based on the assumption that each city's employment for 1934 is equal to the employment level of each city in 1929. 1929 = 100 1934 | Index of average annual wage per employee 1929 = 100 1934 |
|---|---|---|---|
| Cincinnati | 100 | 70.9 | 70.8 |
| New York City | 100 | 66.5 | 66.4 |
| Philadelphia | 100 | 67.4 | 67.2 |
| Chicago | 100 | 65.1 | 65.1 |
| Cleveland | 100 | 83.8 | 83.8 |
| Rochester | 100 | 63.9 | 64.0 |
| United States | 100 | 73.8 | 73.9 |
| Other Cities | 100 | 82.1 | 82.2 |
| Baltimore | 100 | 83.4 | 83.3 |
| Boston | 100 | 76.8 | 77.1 |
| St. Louis | 100 | 87.4 | 87.7 |
| Milwaukee | 100 | 101.5 | 101.4 |

In all the cases of the Table 13 we find that the index of average annual wages per employee is approximately equal to the index of total wages. From this we may assume that the differences between these two indices which were apparent in Table 12 are merely differences due to the various declines of employment recovery. Total wages have fallen in per cent just as much as average annual wages. The best indication therefore, as to what extent wages have fallen since 1929, is the index of average annual wage. The index of total wages needs adjustment because of employment, but the average annual wage index needs no adjustment.

The greatest decline - as recorded in Table 11 - was in Rochester. Rochester in 1934 paid its employees 64% of what it paid them in 1929. The smallest decline - in fact a gain - was in Milwaukee. Milwaukee in 1934 paid its employees 101.4% of what it paid them in 1929. We can compare the average annual wages per wage earner in the various cities

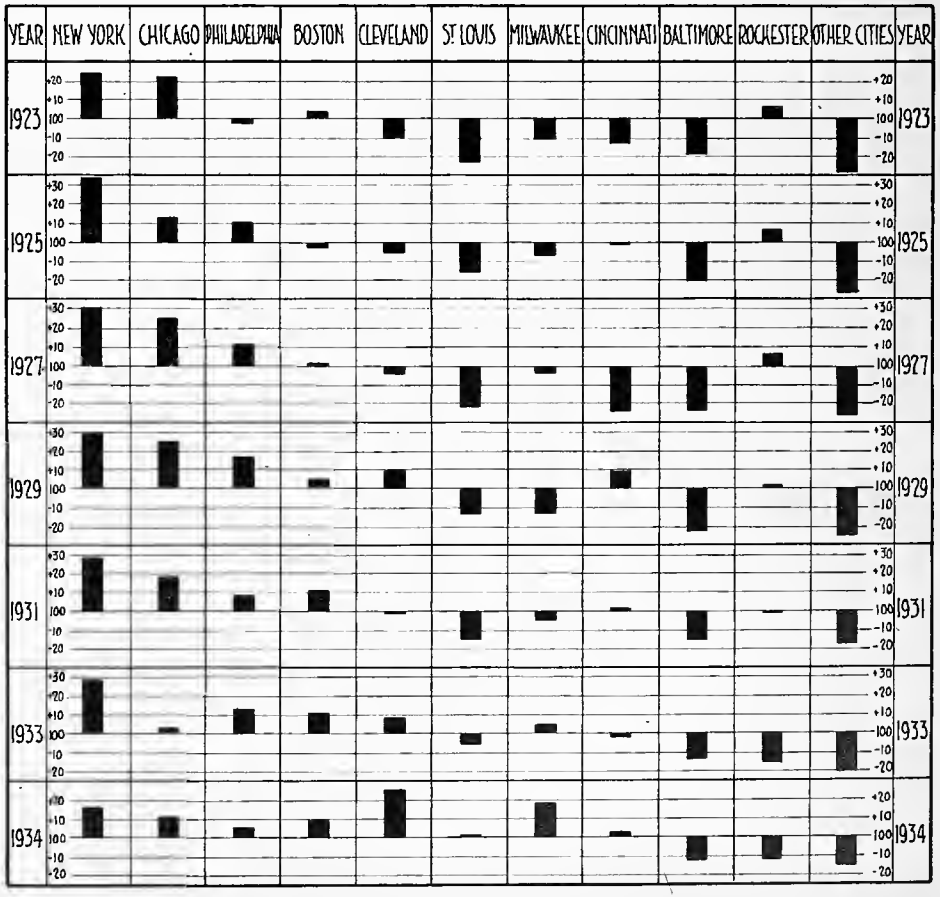
EXHIBIT-7

# MEN'S CLOTHING INDUSTRY
# WAGES.

## AVERAGE ANNUAL WAGE PER WAGE EARNER
BY CITIES.

IN DOLLARS.

PER CENT DEVIATIONS FROM U.S. AVERAGE-100




-SOURCE-
U.S. CENSUS REPORTS 1923-33,
1934 FROM N.R.A. REPORTS.

NOTE: EXCLUDING WORK CLOTHING.

TABLE 14

MEN'S CLOTHING INDUSTRY

WAGES

Average Annual Wage Per Wage Earner - By Cities

In Dollars

| Year | U. S. | N. Y. City | Chicago | Phila. | Boston | Clev. | St. Louis | Mil. | Cinn. | Balto. | Roch. | Other Cities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1923 | 1310.29 | 1629.75 | 1608.18 | 1270.71 | 1368.37 | 1184.08 | 1014.94 | 1176.91 | 1142.57 | 1052.01 | 1393.04 | 928.64 |
| 1925 | 1265.24 | 1704.58 | 1430.90 | 1405.35 | 1224.28 | 1193.46 | 1052.49 | 1171.23 | 1243.33 | 989.63 | 1350.98 | 921.13 |
| 1927 | 1263.62 | 1654.44 | 1591.17 | 1404.98 | 1271.04 | 1201.16 | 980.92 | 1205.43 | 953.06 | 951.76 | 1340.01 | 934.32 |
| 1929 | 1199.51 | 1547.52 | 1507.54 | 1397.69 | 1260.42 | 1312.11 | 1028.02 | 1032.51 | 1294.08 | 917.35 | 1214.41 | 899.83 |
| 1931 | 943.24 | 1202.46 | 1109.97 | 1009.58 | 1054.21 | 922.76 | 802.32 | 891.60 | 956.68 | 750.25 | 928.62 | 722.84 |
| 1933 | 773.70 | 983.91 | 800.02 | 878.13 | 855.94 | 833.84 | 729.04 | 812.45 | 749.90 | 664.04 | 655.88 | 615.81 |
| 1934 | 886.15 | 1028.57 | 981.74 | 939.69 | 971.44 | 1099.81 | 901.17 | 1046.47 | 916.81 | 765.39 | 776.90 | 739.36 |
| | | | | Per cent Deviations From United States Average = 100 | | | | | | | | |
| 1923 | | + 24.4 | + 22.7 | - 3.0 | + 4.4 | - 9.6 | - 22.5 | - 10.2 | -12.8 | - 19.7 | + 6.3 | - 29.1 |
| 1925 | | + 34.7 | + 13.0 | + 11.1 | - 3.2 | - 5.7 | - 16.8 | - 7.4 | - 1.7 | - 21.8 | + 6.8 | - 27.2 |
| 1927 | | + 30.9 | + 25.9 | + 11.2 | + .6 | - 4.9 | - 22.4 | - 4.6 | - 24.6 | - 24.7 | + 6.1 | - 26.1 |
| 1929 | | + 29.0 | + 25.7 | + 16.5 | + 5.1 | + 9.4 | - 14.3 | - 13.9 | + 7.9 | - 23.5 | + 1.2 | - 25.0 |
| 1931 | | + 27.5 | + 17.7 | + 7.0 | + 11.8 | - 2.2 | - 14.9 | - 5.5 | + 1.4 | - 20.5 | - 1.5 | - 23.4 |
| 1933 | | + 27.2 | + 3.4 | + 13.5 | + 10.6 | + 7.8 | - 5.8 | + 5.0 | - 3.1 | - 14.2 | - 15.2 | - 20.4 |
| 1934 | | + 16.1 | + 10.8 | + 6.0 | + 9.6 | + 24.1 | + 1.7 | + 18.1 | + 3.5 | - 13.6 | - 12.3 | - 16.6 |
| | | | | Per cent Based On Year 1929 = 100 | | | | | | | | |
| 1923 | 109.2 | 105.3 | 106.7 | 90.9 | 108.6 | 90.2 | 98.7 | 114.0 | 88.3 | 114.7 | 114.7 | 103.2 |
| 1925 | 105.5 | 110.1 | 94.9 | 100.5 | 97.1 | 90.9 | 102.4 | 113.4 | 96.1 | 107.9 | 111.2 | 102.4 |
| 1927 | 105.3 | 106.9 | 105.5 | 100.5 | 100.8 | 91.5 | 95.4 | 116.7 | 73.6 | 103.8 | 110.4 | 103.8 |
| 1929 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1931 | 78.6 | 77.7 | 73.6 | 72.2 | 83.6 | 70.3 | 78.0 | 86.4 | 73.9 | 81.8 | 76.5 | 80.3 |
| 1933 | 64.5 | 63.6 | 53.1 | 62.8 | 67.9 | 63.5 | 70.9 | 78.7 | 57.9 | 72.4 | 54.0 | 68.4 |
| 1934 | 73.9 | 66.5 | 65.1 | 67.2 | 77.1 | 83.8 | 87.7 | 101.4 | 70.8 | 83.4 | 64.0 | 82.2 |
| Year | U. S. | N. Y. City | Chicago | Phila. | Boston | Clev. | St. Louis | Mil. | Cinn. | Balto. | Roch. | Other Cities |

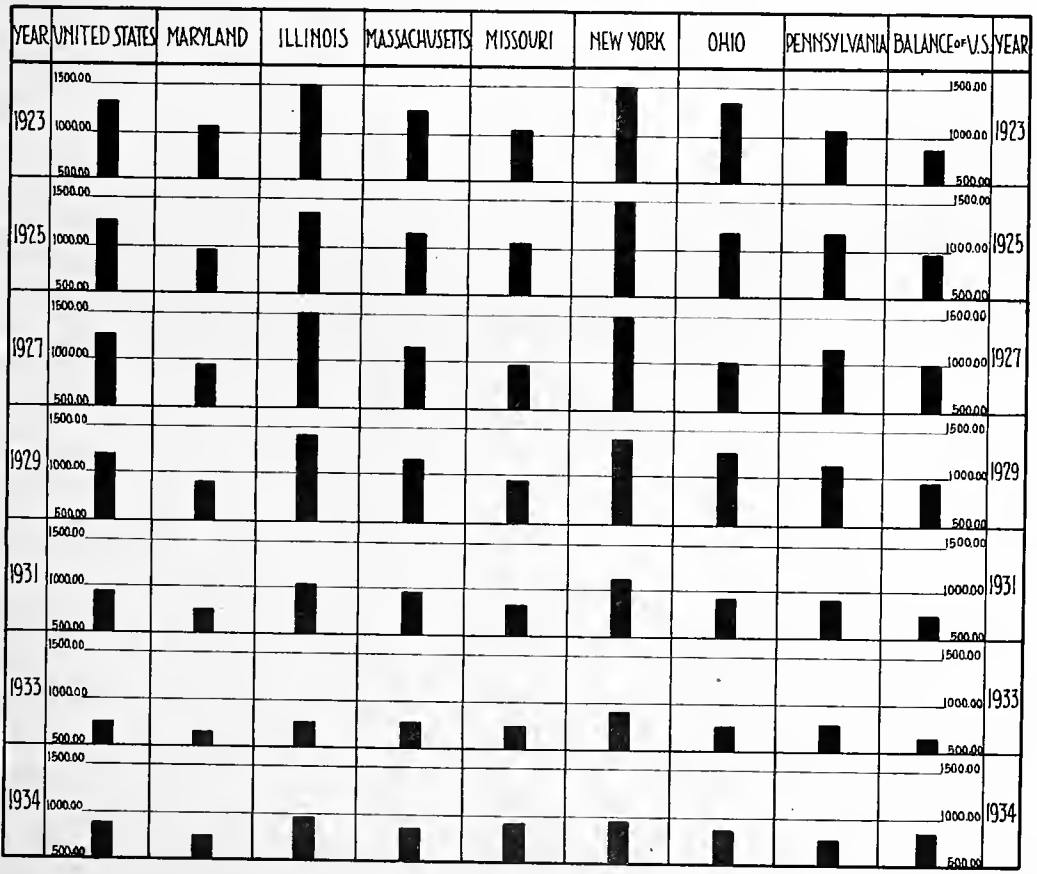
This Table contains the data for Exhibit 7.

# EXHIBIT-8

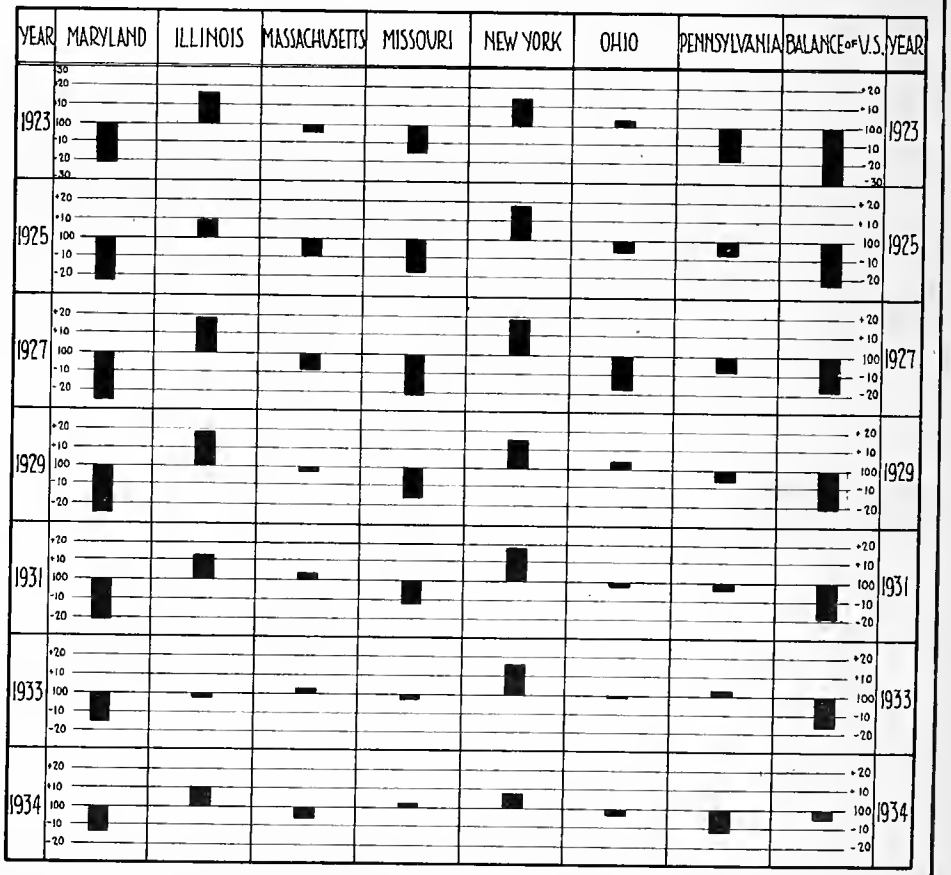
# MEN'S CLOTHING INDUSTRY
# WAGES.

## AVERAGE ANNUAL WAGE PER WAGE EARNER
BY STATES.

IN DOLLARS.




PER CENT DEVIATIONS FROM U.S. AVERAGE-100.




-SOURCE-
U.S. CENSUS REPORTS 1923-33
1934 FROM N.R.A. REPORTS.

NOTE: EXCLUDING WORK CLOTHING.

TABLE 15
MEN'S CLOTHING INDUSTRY
WAGES

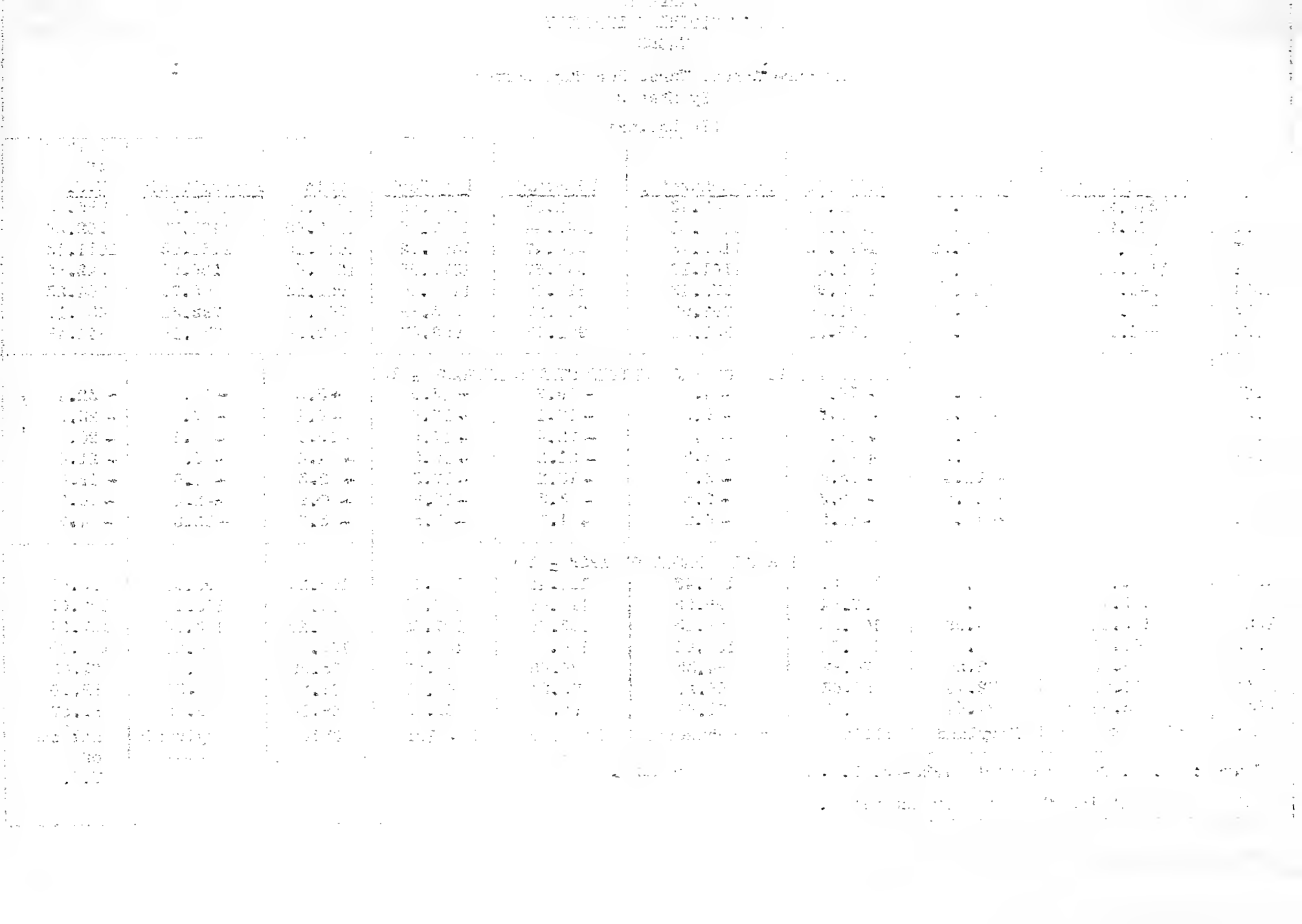
Average Annual Wages Per Wage Earner
By States

(In Dollars)

| Year | United States | Maryland | Illinois | Massachusetts | Missouri | New York | Ohio | Pennsylvania | Balance of U.S. |
|---|---|---|---|---|---|---|---|---|---|
| 1923 | 1310.29 | 1034.24 | 1529.60 | 1247.43 | 1052.58 | 1491.85 | 1355.95 | 1070.38 | 885.15 |
| 1925 | 1265.24 | 970.08 | 1379.09 | 1148.61 | 1049.44 | 1487.75 | 1187.65 | 1171.77 | 962.56 |
| 1927 | 1263.62 | 945.92 | 1490.83 | 1139.43 | 980.47 | 1485.12 | 1018.15 | 1161.03 | 1011.13 |
| 1929 | 1199.51 | 900.92 | 1412.44 | 1161.16 | 944.67 | 1379.98 | 1252.60 | 1126.90 | 942.85 |
| 1931 | 943.24 | 741.04 | 1070.97 | 979.43 | 818.60 | 1106.80 | 921.23 | 905.79 | 764.23 |
| 1933 | 773.70 | 652.66 | 771.58 | 792.92 | 748.27 | 903.88 | 766.71 | 792.31 | 650.19 |
| 1934 | 886.15 | 762.53 | 976.93 | 831.54 | 901.17 | 952.47 | 852.98 | 778.18 | 844.48 |
| | | | PER CENT DEVIATION FROM UNITED STATES AVERAGE = 100 | | | | | | |
| 1923 | | - 21.1 | + 16.7 | - 4.8 | - 19.7 | + 13.9 | + 3.5 | - 18.3 | - 32.4 |
| 1925 | | - 23.3 | + 9.0 | - 9.2 | - 17.1 | + 17.6 | - 6.1 | - 7.4 | - 23.9 |
| 1927 | | - 25.1 | + 18.0 | - 9.8 | - 22.4 | + 17.5 | - 19.4 | - 8.1 | - 20.0 |
| 1929 | | - 24.9 | + 17.8 | - 3.2 | - 21.2 | + 15.0 | + 4.4 | - 6.1 | - 21.4 |
| 1931 | | - 21.4 | + 13.5 | + 3.8 | - 13.2 | + 17.3 | - 2.3 | - 4.0 | - 19.0 |
| 1933 | | - 15.5 | - 0.3 | + 2.5 | - 3.3 | + 16.8 | - 0.9 | + 2.4 | - 16.0 |
| 1934 | | - 14.0 | + 10.2 | - 6.2 | + 1.7 | + 7.5 | - 3.7 | - 12.2 | - 4.7 |
| | | | PER CENT BASED ON 1929 = 100 | | | | | | |
| 1923 | 109.23 | 114.80 | 108.29 | 107.43 | 111.42 | 108.11 | 108.25 | 90.98 | 93.88 |
| 1925 | 105.48 | 107.68 | 97.64 | 98.92 | 111.09 | 107.81 | 94.81 | 103.98 | 102.09 |
| 1927 | 105.34 | 104.99 | 105.55 | 98.13 | 103.79 | 107.62 | 81.28 | 103.03 | 107.24 |
| 1929 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 1931 | 78.63 | 82.25 | 78.82 | 84.35 | 86.65 | 80.20 | 73.55 | 80.38 | 81.05 |
| 1933 | 64.50 | 72.44 | 54.63 | 68.29 | 79.21 | 65.50 | 61.21 | 70.31 | 68.96 |
| 1934 | 73.88 | 84.64 | 69.17 | 71.61 | 95.40 | 69.02 | 68.10 | 69.05 | 89.57 |
| Year | United States | Maryland | Illinois | Massachusetts | Missouri | New York | Ohio | Pennsylvania | Balance of U.S. |

Source: U. S. Census Reports 1923-33, N.R.A. Reports for 1934.

This Table contains the data for Exhibit 8.



as we have done in the Table 13. But it would probably be clearer if instead of doing that we could present the average annual wage per employee expressed in per cent deviations from the U. S. average.

The U. S. average annual wage per employee is taken to equal 100 in every year, and the per cent that each city's average annual wage deviates either above or below the U. S. average is given in Table 14 and Exhibit 7. It can be seen that New York City and Chicago have always afforded its employees a higher average annual wage than the clothing industry has as a whole. Philadelphia in 1923 was slightly below the average, but in every year after that, paid above the average. Baltimore and Other Cities (outside of the major centers) have consistently been below the national average to a considerable extent. In Table 15 and Exhibit 8 we find the same information displayed for the states in which these major cities are located, and for the Balance of the U. S. Here we find that New York State has been the only state to have consistently stayed above the national average annual wage, Illinois falling below in only one year, 1933. Maryland and the Balance of the U. S. (all states outside of the major states enumerated) have consistently stayed below the national average annual wage. It is of interest to compare the average annual wages earned per employee in each of the major centers with the average annual wages earned per employee in each of the major states. The following is a comparison of the 1929 level in each city and state, and the 1934 level in each city and state.

TABLE 16

Average Annual Wage Per Employee, In Dollars

| City | 1929 | 1934 |
|---|---|---|
| Cincinnati | 1,294.08 | 916.81 |
| Ohio | 1,252.60 | 852.98 |
| New York City | 1,547.52 | 1,028.57 |
| New York State | 1,379.98 | 952.47 |
| Philadelphia | 1,395.69 | 939.69 |
| Pennsylvania | 1,126.90 | 778.18 |
| Chicago | 1,507.54 | 981.74 |
| Illinois | 1,412.44 | 976.93 |
| Cleveland | 1,512.11 | 1,099.81 |
| Ohio | 1,252.60 | 852.98 |
| Rochester | 1,214.41 | 776.90 |
| New York State | 1,379.98 | 952.47 |
| United States | 1,199.51 | 886.15 |
| Baltimore | 917.35 | 765.39 |
| Maryland | 900.12 | 762.53 |
| Boston | 1,260.42 | 971.44 |
| Massachusetts | 1,161.16 | 831.54 |
| St. Louis | 1,028.02 | 901.17 |
| Missouri | 944.67 | 901.17 [1] |
| Other Cities | 899.83 | 739.36 |
| Other States | 942.85 | 844.48 |

With the exception of Rochester, every major clothing center in 1934 paid its employees a higher average annual wage than did the extra-urban sections of these states in which clothing establishments are found. The Rochester exception was not due to low wages; on the contrary Rochester paid about the highest average hourly rate - if not the highest - of the entire industry. But the Rochester producing area has

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(1 No separate data available here.)

TABLE 17

AVERAGE ANNUAL WAGES PER WAGE EARNER

(In Dollars)

MEN'S CLOTHING INDUSTRY CONTRASTED WITH ALL MANUFACTURING INDUSTRIES

-1933-

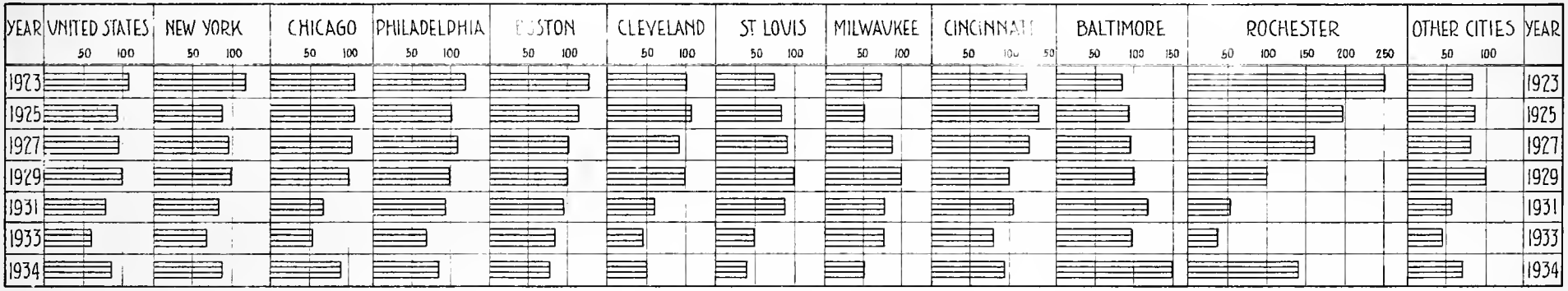
| | All Manufacturing Industries | Men's Clothing Industry |
|---|---|---|
| Baltimore Industrial City Area | 880.08 | 664.04 |
| Maryland | 823.69 | 652.66 |
| Boston Industrial City Area | 939.86 | 855.94 |
| Massachusetts | 889.44 | 792.92 |
| Chicago Industrial City Area | 1,026.14 | 800.02 |
| Illinois | 960.38 | 771.58 |
| Cincinnati Industrial City Area | 946.54 | 749.90 |
| Ohio | 940.30 | 766.71 |
| Cleveland Industrial City Area | 948.83 | 833.84 |
| Ohio | 940.30 | 766.71 |
| Milwaukee Industrial City Area | 900.61 | 812.45 |
| Wisconsin | 836.92 | 774.74 |
| New York City Industrial City Area | 1,071.43 | 983.91 |
| New York State | 1,028.52 | 903.88 |
| Rochester Industrial City Area | 960.89 | 655.88 |
| New York State | 1,028.52 | 903.88 |
| Philadelphia Industrial City Area | 948.54 | 878.13 |
| Pennsylvania | 836.72 | 792.31 |
| St. Louis Industrial City Area | 902.72 | 729.04 |
| Missouri | 853.31 | 748.27 (1 |
| United States | 873.10 | 773.70 |

U. S. Bureau of Census Reports.
1) Computed

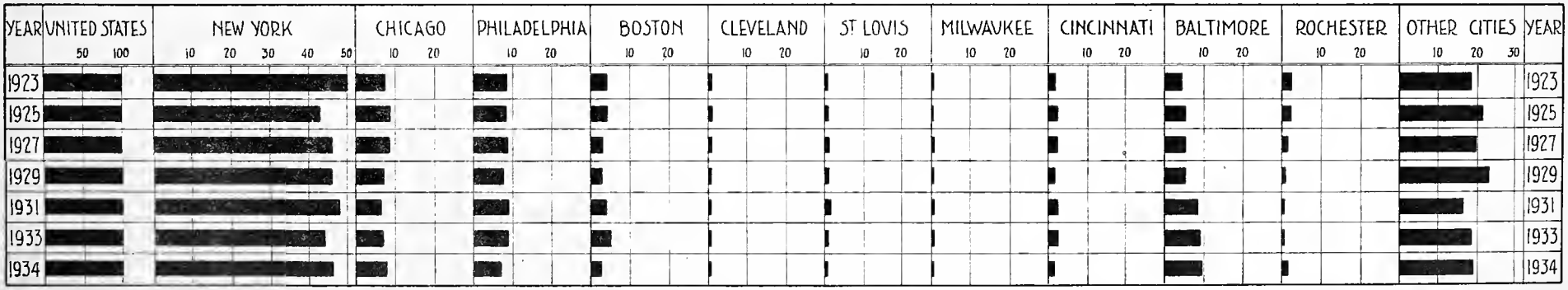
EXHIBIT-9

# MEN'S CLOTHING INDUSTRY
# ESTABLISHMENTS
## BY CITIES

PER CENT BASED ON YEAR 1929 = 100




EACH CITY AS PER CENT OF UNITED STATES
U.S. EACH YEAR = 100




-SOURCE-
U.S. CENSUS REPORTS 1923-33
1934 FROM N.R.A. REPORTS.

NOTE: EXCLUDING WORK CLOTHING.

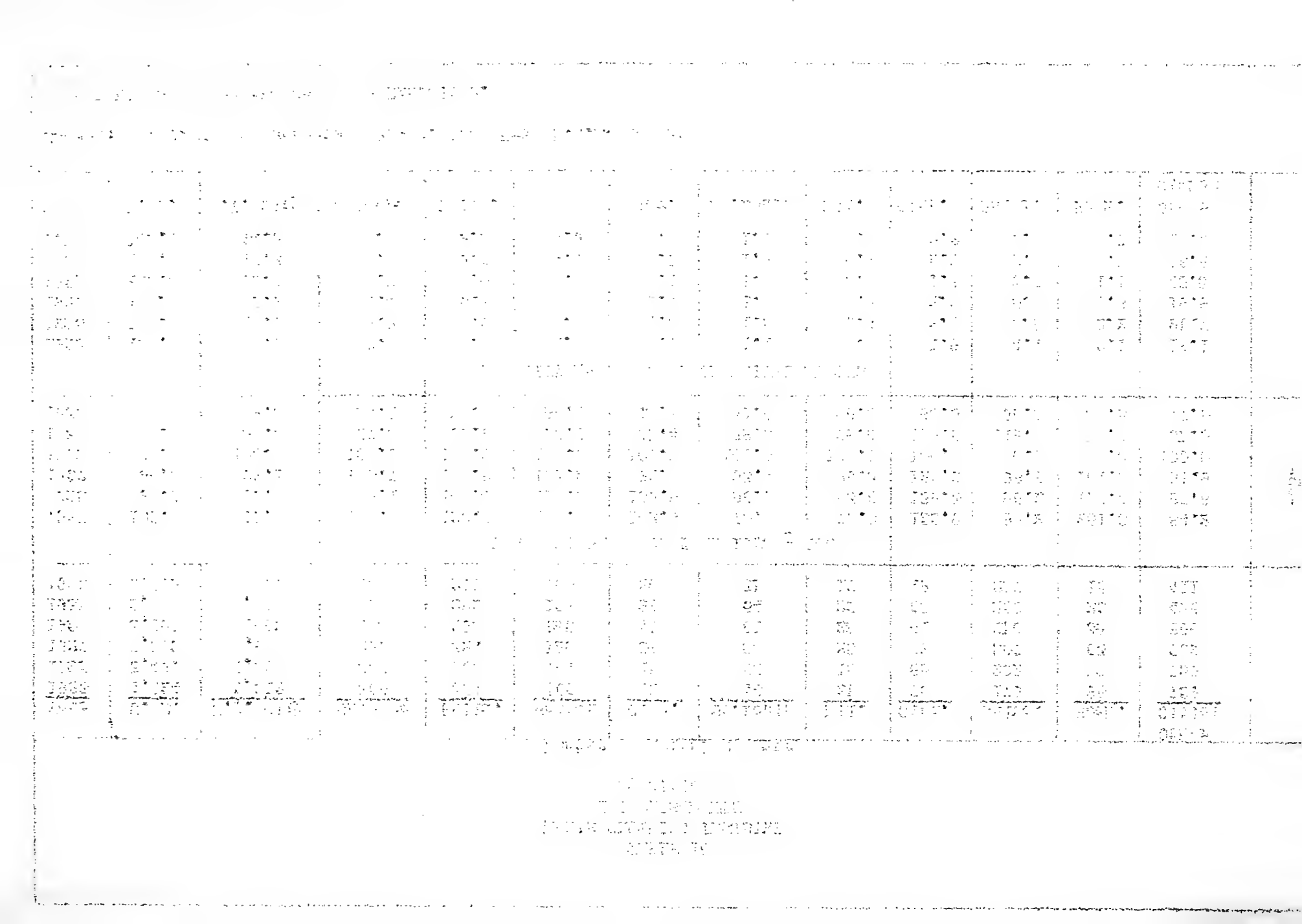
TABLE 18
MEN'S CLOTHING INDUSTRY
ESTABLISHMENTS
By Cities

Number Of Establishments

| Year | U. S. | N.Y. City | Chicago | Phila. | Boston | Clev. | St. Louis | Mil. | Cinn. | Balto. | Roch. | Other Cities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1923 | 4,024 | 2,012 | 308 | 354 | 160 | 42 | 46 | 21 | 75 | 179 | 98 | 729 |
| 1925 | 3,491 | 1,500 | 306 | 305 | 144 | 45 | 53 | 15 | 85 | 202 | 77 | 759 |
| 1927 | 3,562 | 1,634 | 299 | 324 | 129 | 38 | 57 | 25 | 77 | 207 | 63 | 709 |
| 1929 | 3,691 | 1,682 | 283 | 295 | 125 | 41 | 61 | 28 | 61 | 210 | 39 | 866 |
| 1931 | 2,945 | 1,416 | 191 | 282 | 121 | 26 | 54 | 22 | 65 | 250 | 22 | 496 |
| 1933 | 2,219 | 997 | 153 | 211 | 108 | 20 | 31 | 17 | 49 | 207 | 15 | 411 |
| | | | | PER CENT BASED ON YEAR 1929 = 100 | | | | | | | | |
| 1923 | 109.0 | 119.6 | 108.8 | 120.0 | 128.0 | 102.4 | 75.4 | 75.0 | 122.9 | 85.2 | 251.3 | 84.2 |
| 1925 | 94.6 | 89.2 | 108.1 | 103.4 | 115.2 | 109.8 | 86.9 | 53.6 | 139.3 | 96.2 | 197.4 | 87.6 |
| 1927 | 96.5 | 97.1 | 105.7 | 109.8 | 103.2 | 92.7 | 93.4 | 89.3 | 126.2 | 98.6 | 161.5 | 81.9 |
| 1929 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1931 | 79.8 | 84.2 | 67.5 | 95.6 | 96.8 | 63.4 | 88.5 | 78.6 | 106.6 | 119.0 | 56.4 | 57.3 |
| 1933 | 60.1 | 59.3 | 54.1 | 71.5 | 86.4 | 48.8 | 50.8 | 78.5 | 80.3 | 98.6 | 38.5 | 47.5 |
| | | | | EACH CITY AS PER CENT OF UNITED STATES | | | | | | | | |
| 1923 | 100.0 | 50.0 | 7.7 | 8.8 | 4.0 | 1.1 | 1.1 | 0.5 | 1.9 | 4.4 | 2.4 | 18.1 |
| 1925 | 100.0 | 43.0 | 8.8 | 8.7 | 4.1 | 1.3 | 1.5 | 0.4 | 2.4 | 5.8 | 2.2 | 21.7 |
| 1927 | 100.0 | 45.9 | 8.4 | 9.1 | 3.6 | 1.1 | 1.6 | 0.7 | 2.2 | 5.8 | 1.8 | 19.9 |
| 1929 | 100.0 | 45.6 | 7.7 | 8.0 | 3.4 | 1.1 | 1.6 | 0.7 | 1.6 | 5.7 | 1.1 | 23.5 |
| 1931 | 100.0 | 48.2 | 6.5 | 9.6 | 4.1 | 0.9 | 1.8 | 0.7 | 2.2 | 8.5 | 0.7 | 16.8 |
| 1933 | 100.0 | 44.9 | 6.9 | 9.5 | 4.9 | 0.9 | 1.4 | 0.8 | 2.2 | 9.3 | 0.7 | 18.5 |
| Year | U. S. | N.Y. City | Chicago | Phila. | Boston | Clev. | St.Louis | Mil. | Cinn. | Balto. | Roch. | Other Cities |

Source: U. S. Census Reports 1923-33, 1934 From N.R.A. Reports

This Table contains the data for Exhibit 9.



almost always been entirely confined to the production of very high grade all-wool suits, trousers and coats. With very little medium or cheap grade clothing, or cotton, linen, or mohair garments produced there, there is very little opportunity to lengthen the working season. The slack season is comparatively enormous there, due to the lack of cheap garments, or cotton, linen, and mohair garments used as "fill-ins". As a result, while the employee in the Rochester area is paid a very high hourly rate, his working period is so much less than other workers in the industry elsewhere, that the average annual wage in Rochester falls below the New York State average. The large slack period in Rochester is probably the cause of the erection of a cooperative unemployment insurance system for the clothing industry in Rochester.

It is noteworthy here to indicate the average annual wage enjoyed by an employee in the men's clothing industry, and the wage enjoyed by an employee in the other manufacturing industries. This material is presented in Table 17. In every case, for every city and state, the average annual wage in all manufacturing industries is higher than that in the men's clothing industry. Presumably, the seasonality of the clothing industry would explain the difference.

ESTABLISHMENTS.

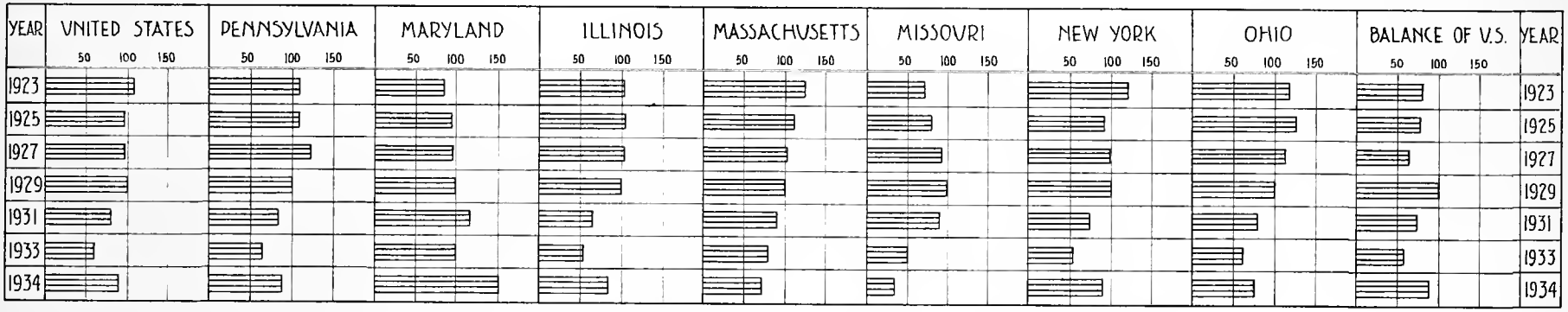
In Table 18 and Exhibit 9 the establishments in all the major cities manufacturing men's clothing are shown. By establishment is meant any productive unit, either contractor or manufacturer. The upper half of Exhibit 9 presents the percentage rise and fall of the number of establishments in each major city, using 1929 as a base of 100. The lower half of this exhibit presents the per cent that each city's number of establishments is of the total number of establishments in the United States.

EXHIBIT-10

# MEN'S CLOTHING INDUSTRY
# ESTABLISHMENTS.

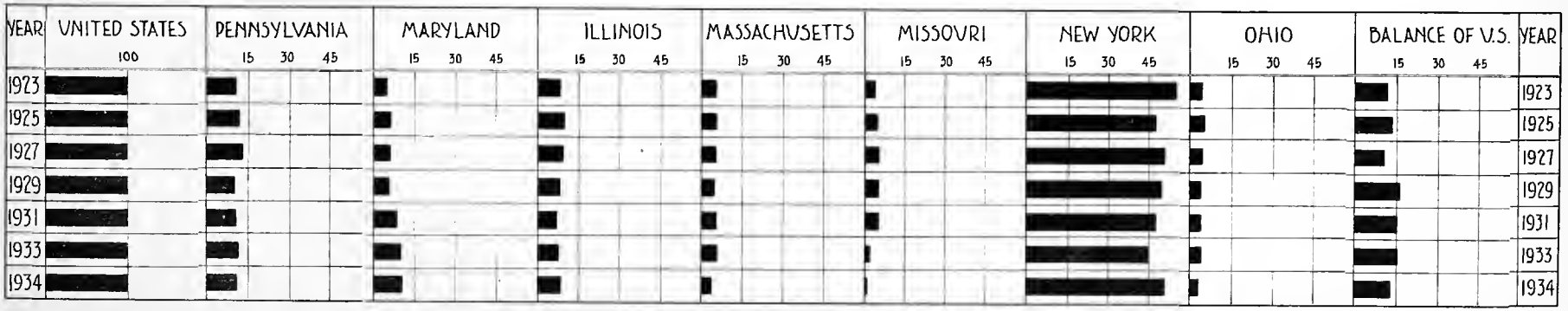
BY STATES.

PER CENT BASED ON YEAR 1929-100




EACH STATE AS PER CENT OF UNITED STATES.

U.S. EACH YEAR - 100




-SOURCE-
U.S. CENSUS REPORTS 1923-33
1934 FROM N.R.A. REPORTS.

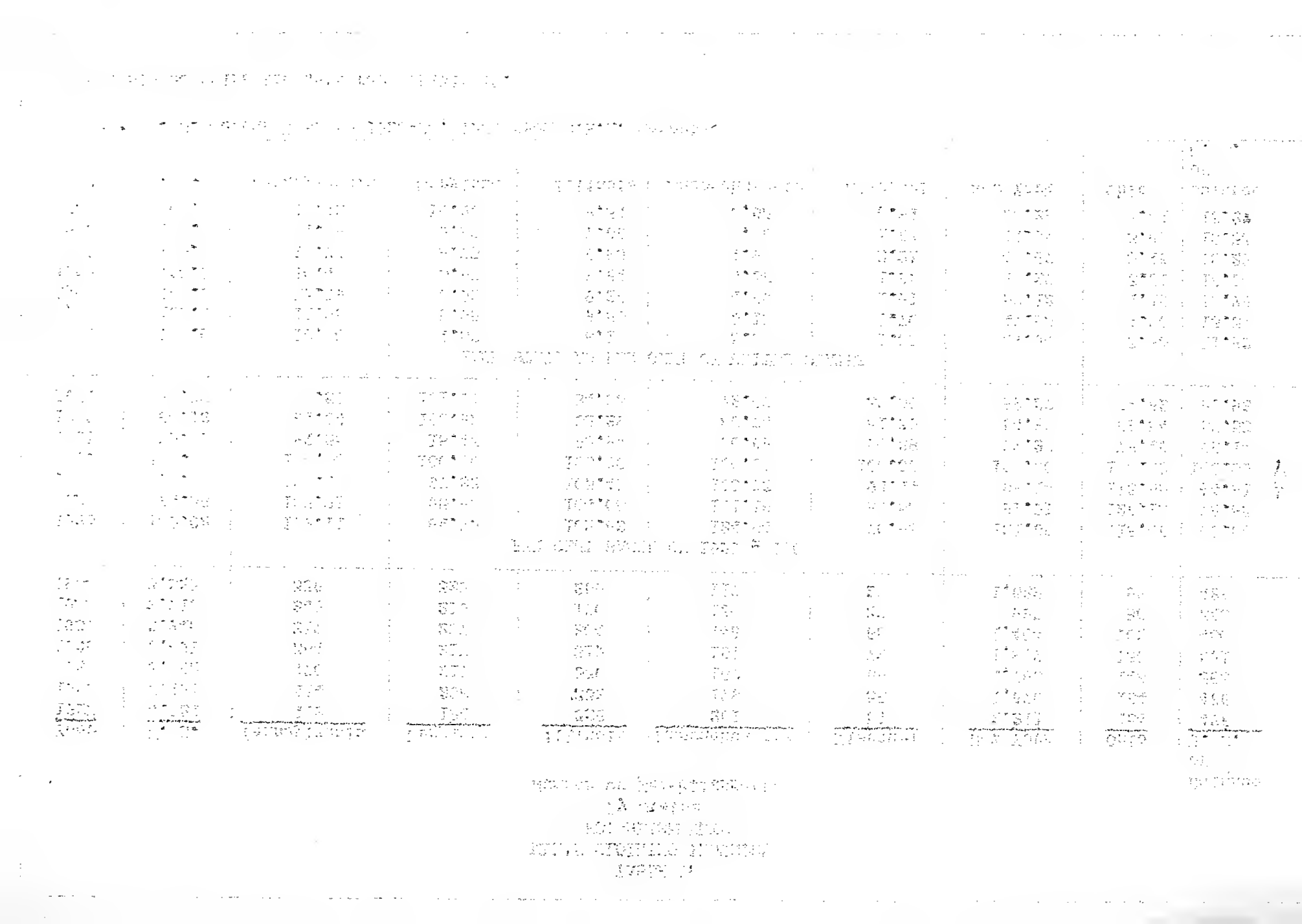
NOTE: EXCLUDING WORK CLOTHING.

TABLE 19
MEN'S CLOTHING INDUSTRY
ESTABLISHMENTS
By States
Number Of Establishments

| Year | U. S. | Pennsylvania | Maryland | Illinois | Massachusetts | Missouri | New York | Ohio | Balance of U. S. |
|---|---|---|---|---|---|---|---|---|---|
| 1923 | 4,024 | 419 | 184 | 328 | 201 | 51 | 2,211 | 154 | 476 |
| 1925 | 3,491 | 414 | 208 | 332 | 179 | 58 | 1,670 | 164 | 466 |
| 1927 | 3,562 | 470 | 211 | 330 | 167 | 68 | 1,785 | 148 | 383 |
| 1929 | 3,691 | 384 | 217 | 319 | 161 | 72 | 1,817 | 130 | 591 |
| 1931 | 2,945 | 317 | 257 | 204 | 146 | 65 | 1,404 | 102 | 450 |
| 1933 | 2,219 | 246 | 219 | 170 | 130 | 37 | 997 | 80 | 340 |
| 1934 | 3,225 | 336 | 329 | 269 | 117 | 27 | 1,622 | 97 | 428 |
| | | | | PER CENT BASED ON 1929 = 100 | | | | | |
| 1923 | 109.02 | 109.11 | 84.79 | 102.82 | 124.84 | 70.83 | 121.68 | 118.46 | 80.54 |
| 1925 | 94.58 | 107.81 | 95.85 | 104.08 | 111.18 | 80.55 | 91.91 | 126.15 | 78.85 |
| 1927 | 96.50 | 122.40 | 97.23 | 103.45 | 103.73 | 94.44 | 98.14 | 113.85 | 64.81 |
| 1929 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 1931 | 79.79 | 82.55 | 18.43 | 63.94 | 90.68 | 90.28 | 77.27 | 78.46 | 76.14 |
| 1933 | 60.12 | 64.06 | 100.92 | 53.29 | 80.74 | 51.39 | 54.87 | 61.54 | 57.53 |
| 1934 | 87.37 | 87.50 | 151.61 | 84.33 | 72.67 | 37.50 | 89.27 | 74.62 | 89.92 |
| | | | | EACH STATE AS PER CENT OF UNITED STATES | | | | | |
| 1923 | 100.0 | 10.40 | 4.57 | 8.14 | 5.00 | 1.30 | 54.94 | 3.83 | 11.82 |
| 1925 | 100.0 | 11.85 | 5.95 | 9.50 | 5.13 | 1.70 | 47.83 | 4.70 | 13.34 |
| 1927 | 100.0 | 13.19 | 5.92 | 9.26 | 4.69 | 1.91 | 50.12 | 4.15 | 10.76 |
| 1929 | 100.0 | 10.40 | 5.67 | 8.64 | 4.36 | 1.95 | 49.27 | 3.51 | 16.00 |
| 1931 | 100.0 | 10.76 | 8.73 | 6.93 | 4.96 | 2.21 | 47.67 | 3.46 | 15.28 |
| 1933 | 100.0 | 11.08 | 9.87 | 7.66 | 5.86 | 1.66 | 44.94 | 3.60 | 15.33 |
| 1934 | 100.0 | 10.42 | 10.20 | 8.34 | 3.63 | 0.84 | 50.29 | 3.01 | 13.27 |
| Year | U. S. | Pennsylvania | Maryland | Illinois | Massachusetts | Missouri | New York | Ohio | Balance of U. S. |

Source: U. S. Census Reports 1923-33, 1934 from N.R.A. Reports.

This Table contains the data for Exhibit 10.



The greatest per cent increase over its 1929 level, in the number of establishments, took place in Baltimore. In 1934 Baltimore had roughly 1½ times (151.4%) the number of establishments it had in 1929. This fact is very significant when coupled with the previously noted fact that the Baltimore employment index in 1934 was only 77.9% of its 1929 level. In short, employment went down, establishments went up, and therefore the people remaining in the industry in Baltimore were being employed by much smaller establishments than they were in 1929. The city next in line in the per cent increase in establishments over its 1929 level is Rochester; in 1934 Rochester had 1 2/5 times as many establishments as it had in 1929.

As we have previously noted, Rochester's employment in 1934 was only 85.4% of its employment in 1929. Therefore, the situation in Rochester was akin to the situation in Baltimore, viz., its employees were being employed in smaller establishments. On the other hand, interesting contrasts are Cincinnati and New York. In 1934 Cincinnati had only 95.1% of the number of establishments it had in 1929, yet its employment was 104.5% of its 1929 level. New York in 1934 had 89.1% of the establishments it had in 1929, although its employment in 1934 was slightly larger than its 1929 employment. In these two latter cities it is obvious that employees are being employed by larger establishments. When we discuss the relations between large establishments, wages, man-hours, and capital, we will understand the significance of the trend either toward larger or smaller establishments.

In Table 19 and Exhibit 10 the establishments are shown for all the larger states in which these larger cities are located and the

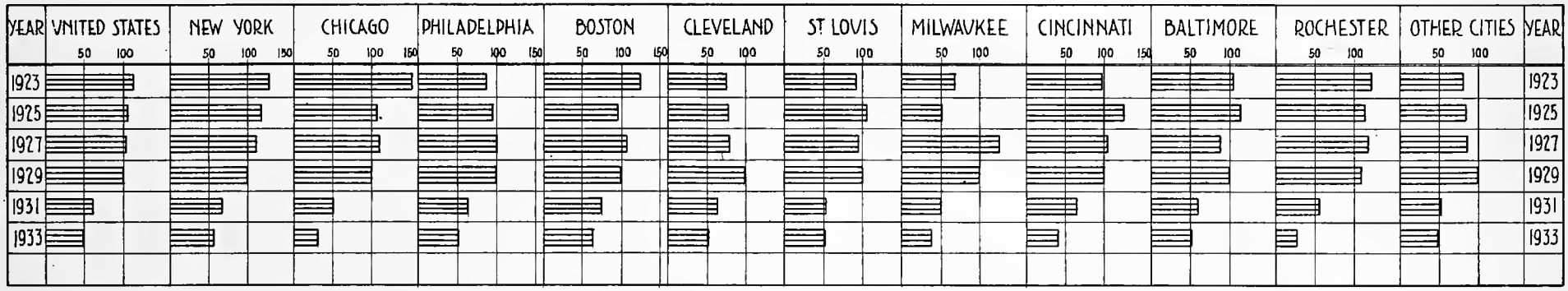
EXHIBIT-11

# MEN'S CLOTHING INDUSTRY PRODUCTION.

VALUE OF PRODUCT

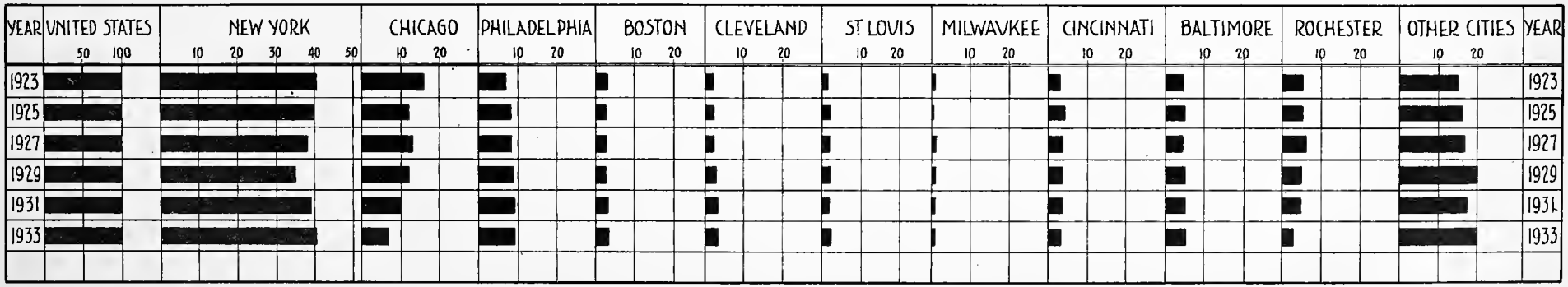
BY CITIES.

PER CENT BASED ON YEAR 1929=100




EACH CITY AS PER CENT OF UNITED STATES

U.S. EACH YEAR = 100




-SOURCE-

U.S. CENSUS REPORTS 1923-33

NOTE: EXCLUDING WORK CLOTHING.

TABLE 20
MEN'S CLOTHING INDUSTRY
PRODUCTION

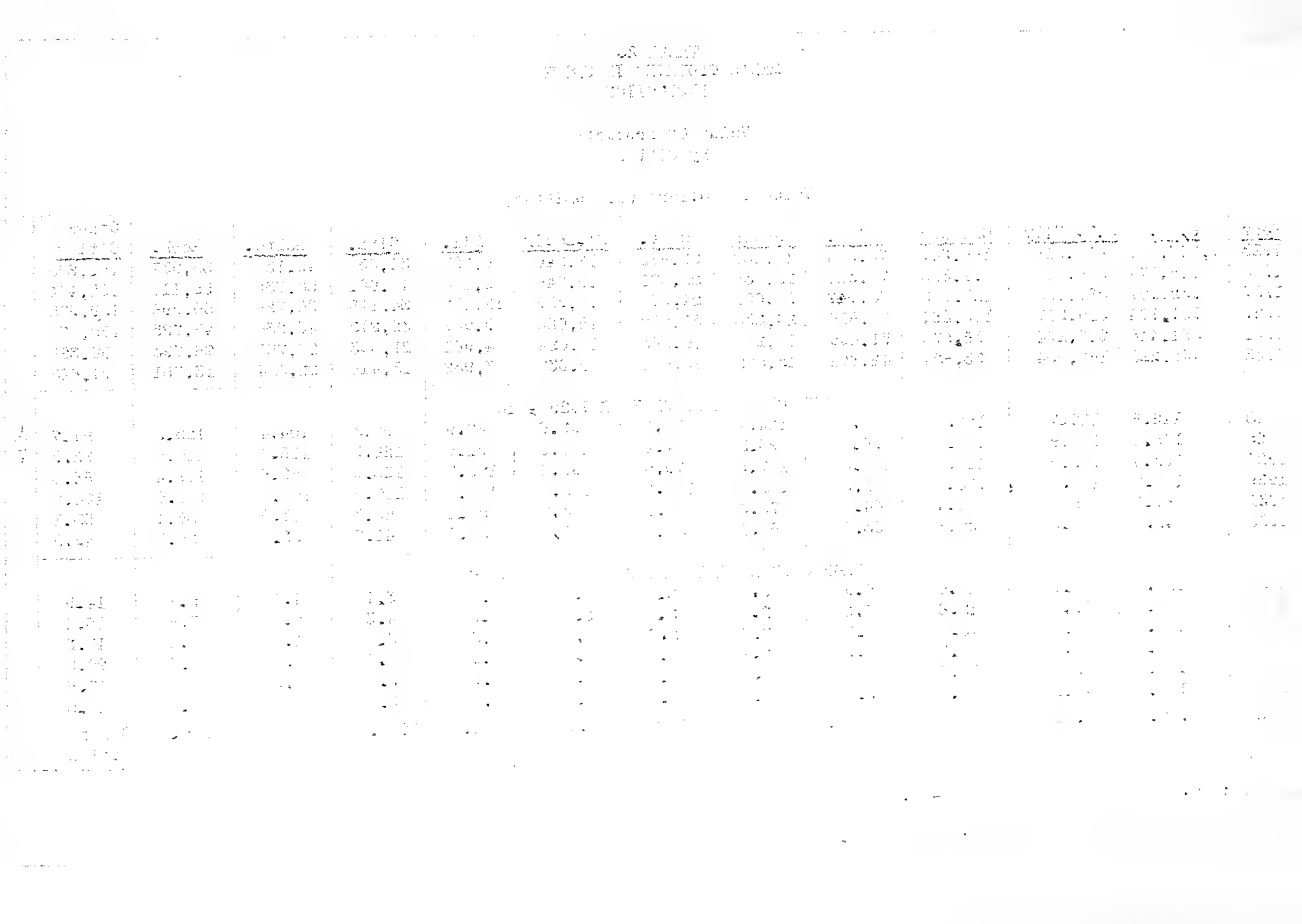
Value Of Products
By Cities

Value In Dollars (000 omitted)

| Year | U. S. | N.Y. City | Chicago | Phila. | Boston | Clev. | St.Louis | Mil. | Cinn. | Balto. | Roch. | Other Cities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1923 | 1,016,721 | 413,918 | 168,249 | 70,554 | 30,139 | 22,863 | 17,246 | 6,727 | 31,656 | 45,138 | 58,937 | 151,288 |
| 1925 | 946,274 | 376,266 | 119,310 | 77,311 | 23,838 | 23,671 | 19,746 | 5,100 | 40,681 | 50,332 | 55,110 | 155,404 |
| 1927 | 932,181 | 360,100 | 121,372 | 80,047 | 26,059 | 24,338 | 17,989 | 12,452 | 34,118 | 38,728 | 56,998 | 159,975 |
| 1929 | 901,104 | 319,217 | 110,364 | 79,816 | 24,253 | 30,592 | 18,626 | 9,909 | 32,212 | 43,238 | 47,725 | 185,171 |
| 1931 | 551,416 | 217,274 | 56,670 | 51,699 | 18,251 | 19,565 | 10,024 | 4,961 | 21,043 | 26,780 | 26,793 | 98,328 |
| 1933 | 445,220 | 182,004 | 33,824 | 42,801 | 15,522 | 15,881 | 9,637 | 3,932 | 13,416 | 22,824 | 13,751 | 91,628 |
| | | | | PER CENT BASED ON YEAR 1929 = 100 | | | | | | | | |
| 1923 | 112.8 | 129.7 | 152.4 | 88.4 | 124.4 | 74.7 | 92.6 | 67.9 | 98.3 | 104.4 | 123.5 | 81.7 |
| 1925 | 105.0 | 117.9 | 108.1 | 96.9 | 96.3 | 77.4 | 106.0 | 51.5 | 126.3 | 116.4 | 115.5 | 83.9 |
| 1927 | 103.4 | 112.8 | 110.0 | 100.3 | 107.5 | 79.6 | 96.6 | 125.7 | 105.9 | 89.6 | 119.4 | 86.4 |
| 1929 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1931 | 61.2 | 68.1 | 51.4 | 64.8 | 75.3 | 64.0 | 53.8 | 50.1 | 65.3 | 61.9 | 56.1 | 53.1 |
| 1933 | 49.4 | 57.0 | 30.6 | 53.6 | 64.1 | 51.9 | 51.7 | 39.7 | 41.7 | 52.8 | 28.8 | 49.5 |
| | | | | EACH CITY AS PER CENT OF UNITED STATES | | | | | | | | |
| 1923 | 100.0 | 40.7 | 16.6 | 6.9 | 3.0 | 2.2 | 1.7 | 0.7 | 3.1 | 4.4 | 5.8 | 14.9 |
| 1925 | 100.0 | 39.8 | 12.6 | 8.2 | 2.5 | 2.5 | 2.1 | 0.5 | 4.3 | 5.3 | 5.8 | 16.4 |
| 1927 | 100.0 | 38.6 | 13.0 | 8.6 | 2.8 | 2.6 | 1.9 | 1.3 | 3.7 | 4.2 | 6.1 | 17.2 |
| 1929 | 100.0 | 35.4 | 12.2 | 8.9 | 2.7 | 3.4 | 2.1 | 1.1 | 3.6 | 4.8 | 5.3 | 20.5 |
| 1931 | 100.0 | 39.4 | 10.3 | 9.4 | 3.3 | 3.5 | 1.8 | 0.9 | 3.8 | 4.9 | 4.9 | 17.8 |
| 1933 | 100.0 | 40.9 | 7.6 | 9.6 | 3.5 | 3.6 | 2.2 | 0.9 | 3.0 | 5.1 | 3.1 | 20.5 |
| Year | U. S. | N.Y. City | Chicago | Phila. | Boston | Clev. | St.Louis | Mil. | Cinn. | Balto. | Roch. | Other Cities |

Source: U. S. Census Reports 1923-33.

This Table contains the data for Exhibit 11.



Balance of the United States. The upper half of the exhibit indicates the percentage rise or decline of the number of establishments in each state, using 1929 as a base of 100. The lower half of this exhibit presents the per cent that each state's number of establishments is of the total number of establishments in the United States. In the upper half of this exhibit we see that Maryland as a whole has enjoyed about the same rate of growth in the percentage of establishments as Baltimore has - 151.6% of its 1929 level. New York State, however, did not show the same per cent of increase as Rochester did; the increase for New York State was only 89.27% of its 1929 level. It is of some importance to notice that the three leading states in 1934 in the highest per cent of their 1929 level of the number of establishments, namely: Maryland (151.61%) New York (89.27%), Pennsylvania (87.58%), and the Balance of the U. S., which is, all states outside of the major states enumerated in Exhibit 10 (89.92%) - all have more than 50% of their employees in contract shops in 1934. Not one of these states or the Balance of the U. S. had 50% of its employees in contract shops in 1929. The trend, evidently, in these major states has been toward contract shops. This however, will be dealt with in greater detail in another chapter.

VALUE OF PRODUCT: COST OF MATERIALS: VALUE ADDED BY MANUFACTURE.

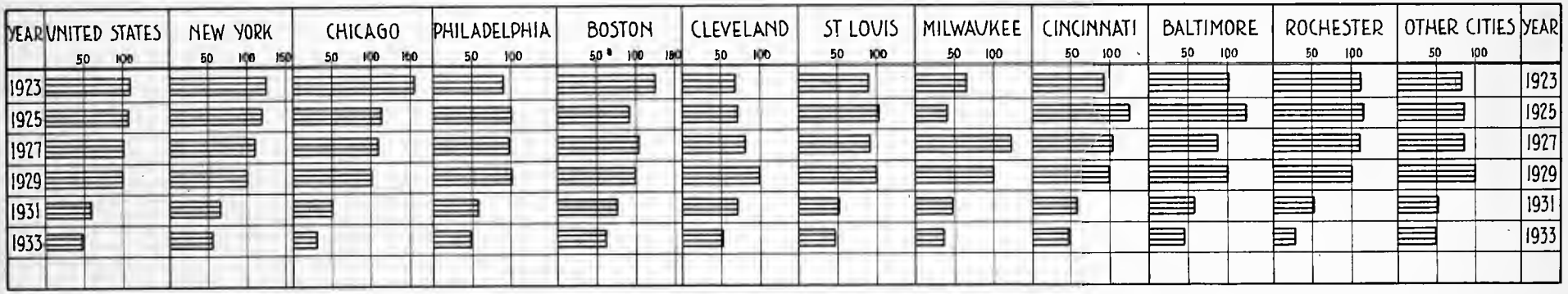
Table 20 and Exhibit 11 present an outline of the value of the product manufactured by the clothing industry in each of the major centers throughout the country. By value of the product is meant the value placed upon the product by the manufacturer when it leaves his establishment. The upper half of this exhibit presents the percentage rise or decline of the value of the product in each center based on its

EXHIBIT-12

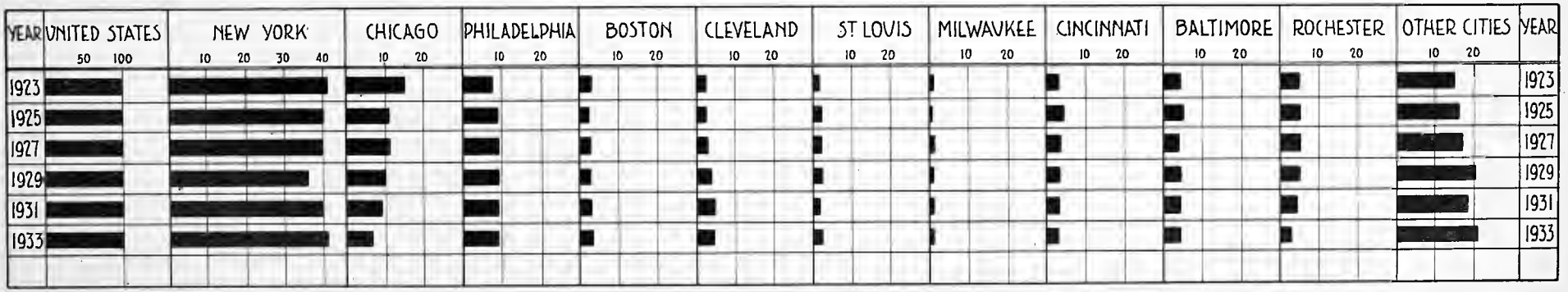
# MEN'S CLOTHING INDUSTRY PRODUCTION.

COST OF MATERIAL, CONTAINERS, FUEL & PURCHASED ELECTRIC ENERGY BY CITIES.

PER CENT BASED ON YEAR 1929-100




EACH CITY AS PER CENT OF UNITED STATES
U.S. EACH YEAR - 100




-SOURCE-
U.S. CENSUS REPORTS 1923-33

NOTE: EXCLUDING WORK CLOTHING.

TABLE 21
MEN'S CLOTHING INDUSTRY
PRODUCTION

Cost Of Material, Containers, Fuel & Purchased Electric Energy
Value In Dollars (000 omitted)

| Year | U. S. | N.Y. City | Chicago | Phila. | Boston | Clev. | St. Louis | Mil. | Cinn. | Balto. | Roch. | Other Cities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1923 | 483,927 | 198,875 | 70,911 | 37,905 | 15,728 | 12,142 | 8,993 | 3,788 | 14,591 | 20,983 | 24,853 | 75,157 |
| 1925 | 471,501 | 192,431 | 51,788 | 41,596 | 11,672 | 12,732 | 10,427 | 3,299 | 19,644 | 25,400 | 25,748 | 77,763 |
| 1927 | 447,245 | 175,856 | 50,078 | 40,825 | 12,917 | 14,674 | 9,233 | 7,046 | 16,578 | 17,799 | 24,628 | 77,612 |
| 1929 | 440,505 | 159,248 | 45,349 | 41,459 | 12,424 | 17,503 | 9,950 | 5,716 | 15,597 | 20,468 | 21,734 | 91.056 |
| 1931 | 263,675 | 105,055 | 23,349 | 24,507 | 9,333 | 12,617 | 5,123 | 2,766 | 8,886 | 12,171 | 11,120 | 48,739 |
| 1933 | 214,640 | 88,929 | 13,967 | 20,560 | 7,887 | 9,332 | 4,753 | 2,087 | 6,203 | 9,510 | 6,212 | 45,200 |
| | | | | PER CENT BASED ON YEAR 1929 = 100 | | | | | | | | |
| 1923 | 109.9 | 124.9 | 156.4 | 91.4 | 126.6 | 69.4 | 90.4 | 66.3 | 93.5 | 102.5 | 114.4 | 82.5 |
| 1925 | 107.0 | 120.8 | 114.2 | 100.3 | 93.9 | 72.7 | 104.8 | 40.2 | 125.9 | 124.1 | 118.5 | 85.4 |
| 1927 | 101.5 | 110.4 | 110.4 | 98.5 | 104.0 | 83.8 | 92.8 | 123.3 | 106.3 | 87.0 | 113.3 | 85.2 |
| 1929 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1931 | 59.9 | 66.0 | 51.5 | 59.1 | 75.1 | 72.1 | 51.5 | 48.6 | 57.0 | 59.5 | 51.2 | 53.5 |
| 1933 | 48.7 | 55.8 | 30.8 | 49.6 | 63.5 | 53.3 | 47.8 | 36.5 | 39.8 | 46.5 | 28.6 | 49.6 |
| | | | | EACH CITY AS PER CENT OF UNITED STATES | | | | | | | | |
| 1923 | 100.0 | 41.1 | 14.7 | 7.8 | 3.3 | 2.5 | 1.9 | 0.8 | 3.0 | 4.3 | 5.1 | 15.5 |
| 1925 | 100.0 | 40.8 | 11.0 | 8.8 | 2.5 | 2.7 | 2.2 | 0.4 | 4.2 | 5.4 | 5.5 | 16.5 |
| 1927 | 100.0 | 39.3 | 11.2 | 9.1 | 2.9 | 3.3 | 2.1 | 1.6 | 3.7 | 4.0 | 5.5 | 17.4 |
| 1929 | 100.0 | 36.2 | 10.3 | 9.4 | 2.8 | 4.0 | 2.3 | 1.3 | 3.5 | 4.6 | 4.9 | 20.7 |
| 1931 | 100.0 | 39.8 | 8.9 | 9.3 | 3.5 | 4.8 | 1.9 | 1.1 | 3.4 | 4.6 | 4.2 | 18.5 |
| 1933 | 100.0 | 41.4 | 6.5 | 9.6 | 3.7 | 4.3 | 2.2 | 1.0 | 2.9 | 4.4 | 2.9 | 21.1 |
| Year | U. S. | N.Y.City | Chicago | Phila. | Boston | Clev. | St.Louis | Mil. | Cinn. | Balto. | Roch. | Other Cities |

Source: U. S. Census Reports 1923-33.

This Table contains the data for Exhibit 12.

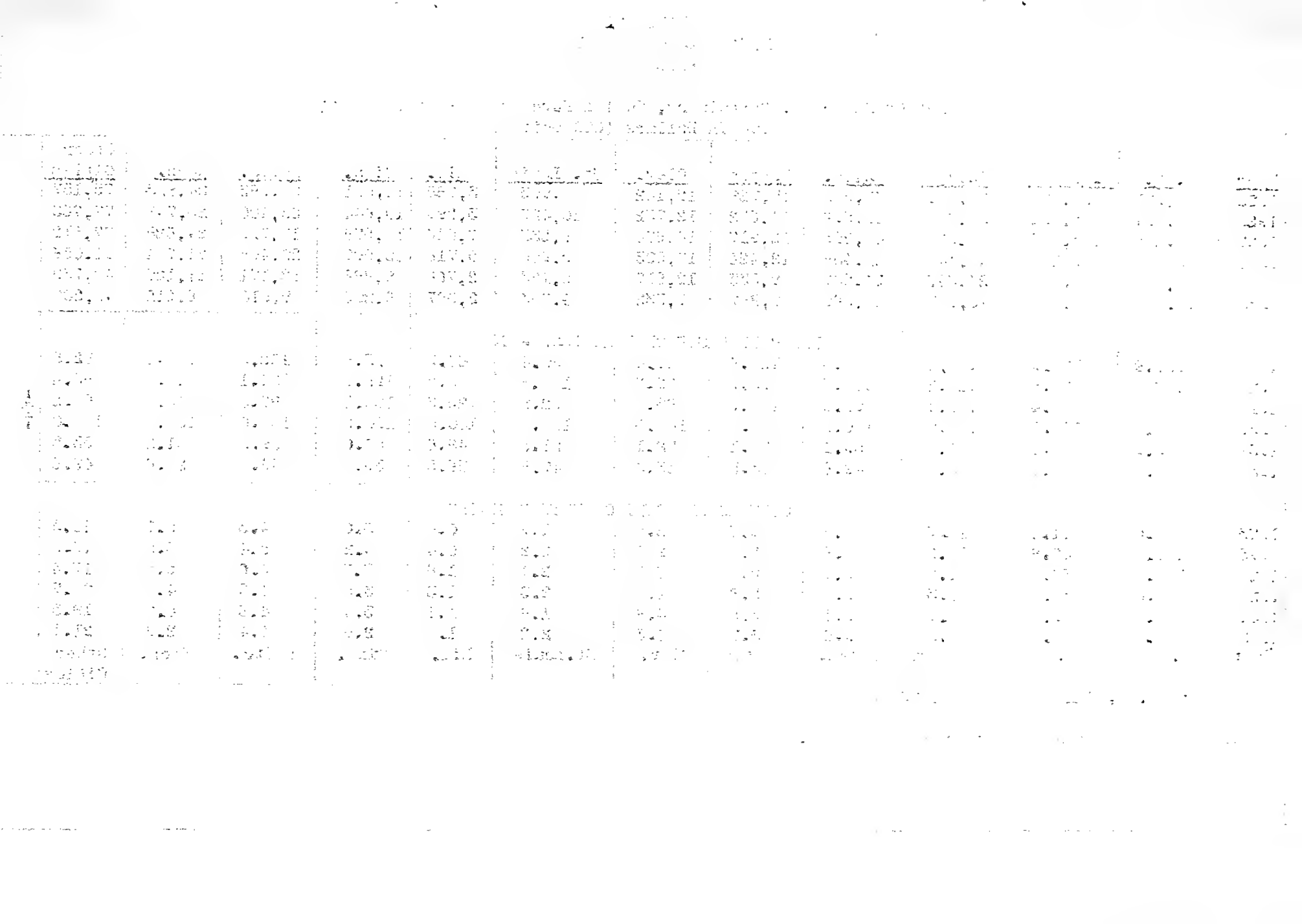
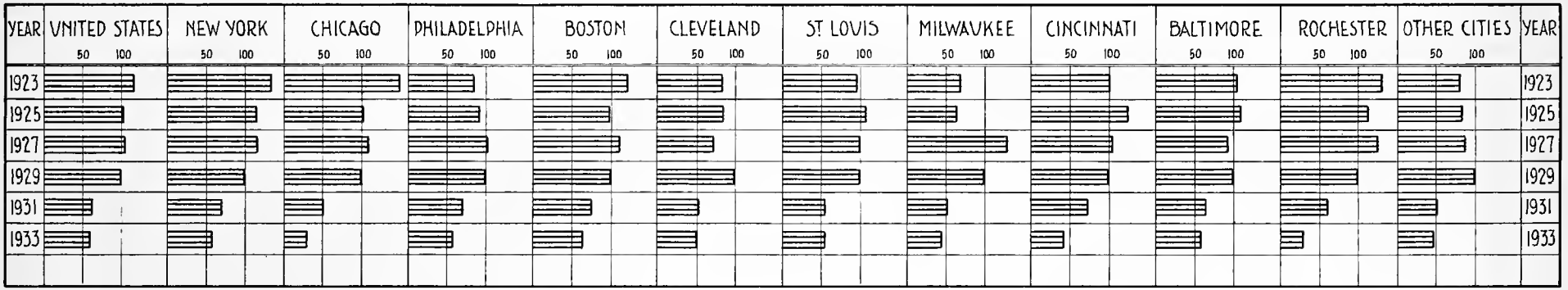


EXHIBIT - 13

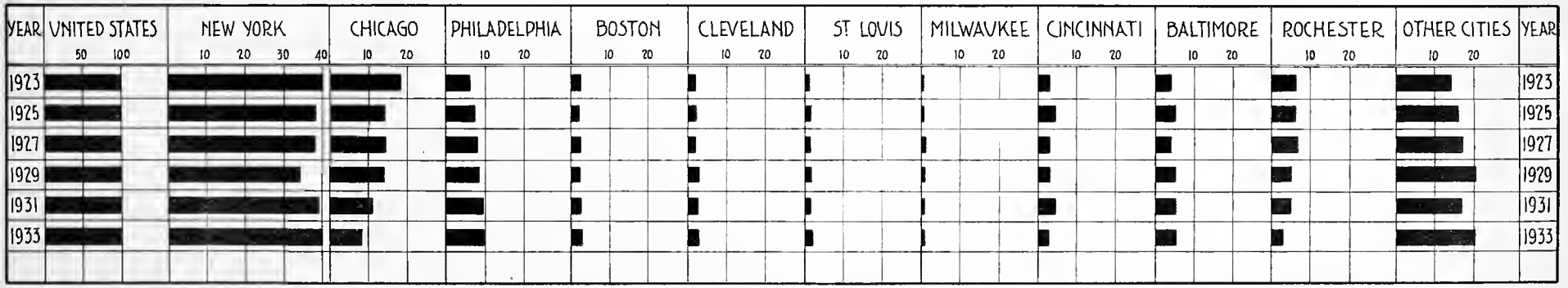
# MEN'S CLOTHING INDUSTRY PRODUCTION.

VALVE ADDED BY MANUFACTURE
BY CITIES.

PER CENT BASED ON YEAR 1929=100




EACH CITY AS PER CENT OF UNITED STATES
U.S. EACH YEAR = 100




-SOURCE-
U.S. CENSUS REPORTS 1923-33.

NOTE: EXCLUDING WORK CLOTHING.

TABLE 22
MEN'S CLOTHING INDUSTRY
PRODUCTION

Value Added By Manufacturer, By Cities
Value in Dollars (000 omitted)

| Year | U. S. | N. Y. | Chicago | Phila. | Boston | Clev. | St. Louis | Mil. | Cinn. | Balto. | Roch. | Other Cities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1923 | 532,795 | 215,044 | 97,339 | 32,650 | 14,411 | 10,722 | 8,253 | 2,940 | 17,066 | 24,155 | 34,084 | 76,131 |
| 1925 | 474,773 | 183,835 | 67,522 | 35,715 | 11,667 | 10,939 | 9,319 | 2,801 | 21,038 | 24,932 | 29,363 | 77,642 |
| 1927 | 484,937 | 184,245 | 71,294 | 39,222 | 13,143 | 9,665 | 8,756 | 5,407 | 17,541 | 20,930 | 32,371 | 82,364 |
| 1929 | 460,599 | 159,790 | 65,015 | 38,356 | 11,809 | 13,088 | 8,676 | 4,194 | 16,615 | 22,770 | 25,990 | 94,115 |
| 1931 | 287,741 | 112,219 | 33,351 | 27,192 | 8,918 | 6,948 | 4,901 | 2,185 | 12,157 | 14,609 | 15,673 | 49,589 |
| 1933 | 230,580 | 93,075 | 19,857 | 22,241 | 7,635 | 6,549 | 4,884 | 1,845 | 7,214 | 13,314 | 7,539 | 46,427 |
| | | | | | PER CENT BASED ON YEAR 1929 = 100 | | | | | | | |
| 1923 | 115.7 | 134.4 | 149.7 | 85.1 | 122.0 | 81.9 | 95.1 | 70.1 | 102.7 | 106.1 | 131.1 | 80.9 |
| 1925 | 103.1 | 114.9 | 103.9 | 93.1 | 98.8 | 83.6 | 107.4 | 66.8 | 126.6 | 109.5 | 113.0 | 82.5 |
| 1927 | 105.3 | 115.2 | 109.7 | 102.3 | 111.3 | 73.8 | 100.9 | 128.9 | 105.6 | 91.9 | 124.5 | 87.5 |
| 1929 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1931 | 62.5 | 70.1 | 51.3 | 70.9 | 75.5 | 53.1 | 56.5 | 52.1 | 73.2 | 64.2 | 60.3 | 52.7 |
| 1933 | 50.1 | 58.2 | 30.5 | 58.0 | 64.7 | 50.0 | 56.3 | 44.0 | 43.4 | 58.5 | 29.0 | 49.3 |
| | | | | | EACH CITY AS PER CENT OF UNITED STATES | | | | | | | |
| 1923 | 100.0 | 40.4 | 18.3 | 6.1 | 2.7 | 2.0 | 1.5 | 0.6 | 3.2 | 4.5 | 6.4 | 14.3 |
| 1925 | 100.0 | 38.7 | 14.2 | 7.5 | 2.5 | 2.3 | 1.9 | 0.6 | 4.4 | 5.3 | 6.2 | 16.4 |
| 1927 | 100.0 | 38.0 | 14.7 | 8.1 | 2.7 | 2.0 | 1.8 | 1.1 | 3.6 | 4.3 | 6.7 | 17.0 |
| 1929 | 100.0 | 34.7 | 14.1 | 8.3 | 2.6 | 2.9 | 1.9 | 0.9 | 3.6 | 5.0 | 5.6 | 20.4 |
| 1931 | 100.0 | 39.0 | 11.6 | 9.5 | 3.1 | 2.4 | 1.7 | 0.8 | 4.2 | 5.1 | 5.4 | 17.2 |
| 1933 | 100.0 | 40.4 | 8.6 | 9.6 | 3.3 | 2.8 | 2.1 | 0.8 | 3.1 | 5.8 | 3.3 | 20.2 |
| Year | U. S. | N. Y. | Chicago | Phila. | Boston | Clev. | St. Louis | Mil. | Cinn. | Balto. | Roch. | Other Cities |

Source:
U. S. Census Reports 1923-33.

This Table contains data for Exhibit 13.

1929 level. The lower half indicates what per cent of the total United States value of men's clothing products is manufactured in any one city. Unfortunately, there are no statistics available on this later than 1933, since there were no N.R.A. statistics on this point in 1934. It will be noted in the upper half of Exhibit 11 that in 1933 the value of the product in every major center in the United States and in the United States average, had fallen anywhere from 50% to 75% of the value of the product in 1929. The United States average for the value of product in 1933 was 49.4 - just about half of what it was in 1929. The smallest drop occurred in Boston. Boston's value of the product in 1933 was 64.1% of its value in 1929. The largest drop in the value of the product in 1933 occurred in Rochester which was 28.2% of its 1929 level, and Chicago which was 30.6% of its 1929 value. The cities whose percentage decline in the value of the products had been largest are mainly those cities which are concerned with the production of very high grade woolen garments.

It is of some interest to compare the index of the value of the product for 1933 with the index of the cost of materials (Table 21 and Exhibit 12) for 1933, and the index of the value added by manufacture (Table 22 and Exhibit 13) for 1933. By value added by manufacture is meant the increment created by the manufacturing process; it is the value of the manufactured product minus the cost of material, etc.

TABLE 24
MEN'S CLOTHING INDUSTRY
PRODUCTION

Total volume and value of production of material used, by kinds.[1]

| Kind of Material | 1929 | | 1931 | | 1933 | |
|---|---|---|---|---|---|---|
| | Volume (000 lbs) | Value ($000's) | Volume (000 lbs) | Value ($000's) | Volume (000 lbs) | Value ($000's) |
| Woolen suitings and pantings (except flannel) | 34,802 | 52,750 | 17,347 | 23,128 | 20,526 | 19,076 |
| Flannel suitings and pantings | 2,099 | 4,204 | 2,831 | 4,260 | 5,131 | 7,415 |
| Topcoatings | 5,333 | 10,315 | 3,862 | 5,267 | 7,184 | 8,387 |
| Overcoatings | 21,684 | 25,019 | 9,879 | 10,666 | 20,233 | 14,084 |
| Worsted staple suitings and pantings | 35,100 | 89,095 | 29,086 | 55,856 | 28,252 | 46,748 |
| Fancy suitings and pantings | 33,756 | 99,895 | 28,282 | 62,049 | 27,613 | 51,074 |
| Total | 132,774 | 281,278 | 91,287 | 161,226 | 108,939 | 146,784 |

Source: Census of Manufactures, "Woolens and Worsted Goods."

[1]It is impossible to determine how much of these goods are used by the Men's Clothing Industry.

TABLE 23

| City | Value of product 1929 = 100 | Value added by manufacture 1929 = 100 | Cost of materials, etc. 1929 = 100 |
|---|---|---|---|
| | 1933 | 1933 | 1933 |
| Cincinnati | 41.7 | 43.4 | 39.8 |
| New York | 57.7 | 58.2 | 55.8 |
| Philadelphia | 53.6 | 58.0 | 49.6 |
| Chicago | 30.6 | 30.5 | 30.8 |
| Cleveland | 51.9 | 50.0 | 53.3 |
| Rochester | 28.8 | 24.0 | 28.6 |
| United States | 49.4 | 50.1 | 48.7 |
| Other Cities | 49.5 | 49.3 | 49.6 |
| Baltimore | 52.8 | 58.5 | 46.5 |
| Boston | 64.1 | 64.7 | 63.5 |
| St. Louis | 51.7 | 56.3 | 47.8 |
| Milwaukee | 39.7 | 44.0 | 36.5 |

From Table 23 we can quickly understand the decline of the value of the product. The cost of materials, fell about 50% or 60% from 1929 to 1933, and the index of value added by manufacture -- in which are included the cost of labor and the cost of all other essentials such as overhead, etc., -- had likewise fallen that amount. In these cities in which the value of the product declined most, e.g., Rochester and Chicago, it can be seen that the cost of material declined just as much; in the city in which the value of the product declined least - Boston - it can be seen that the cost of materials fell least.

MATERIALS.

The kind of materials used in the men's clothing industry is presented in Table 24. But as noted in a footnote to that table, there is no way of calculating what proportion of the materials is used by the men's clothing industry. This difficulty is due to the fact that a good part of the materials is used by the women's clothing industry, and there

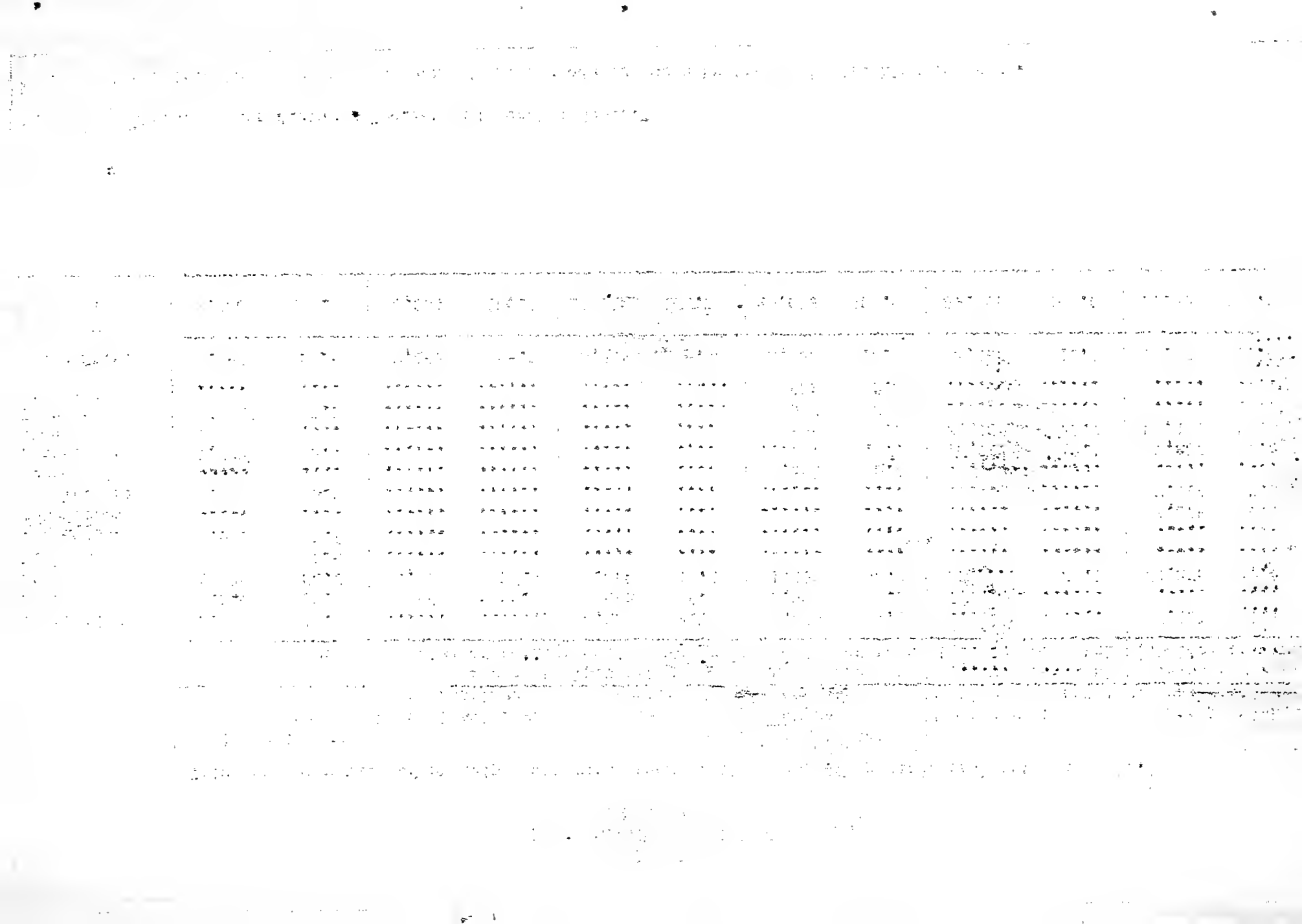
TABLE 25
MEN'S CLOTHING INDUSTRY
PRODUCTION

Value of production of principal materials used by the industry by kinds and states in 1929.[1]

| | Woolen suitings and pantings except flannel | | Flannel suitings and pantings | | Top-coatings | | Over-coatings | | Worsted staple suitings and pantings | | Fancy suitings and pantings | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Value ($000's) | Per cent of total | Value ($000's) | Per cent of total | Value ($000's) | Per cent of total | Value ($000's) | Per cent of total | Value ($000's) | Per cent of total | Value ($000's) | Per cent of total |
| Connecticut | 5,317 | 10.1 | ..... | ..... | 2,251 | 21.8 | 3,569 | 14.3 | ..... | ..... | 7,121 | 7.1 |
| Maine | 9,250 | 17.5 | 667 | 15.9 | 662 | 6.4 | 2,885 | 11.5 | ..... | ..... | ..... | .... |
| Massachusetts | 12,435 | 23.5 | 1,068 | 25.4 | 1,590 | 15.4 | 11,482 | 45.9 | 33,061 | 37.1 | 34,375 | 34.5 |
| Michigan | 304 | 0.6 | ..... | ..... | ..... | .... | ..... | .... | ..... | ..... | ..... | .... |
| New Hampshire | 3,984 | 7.6 | ..... | ..... | ..... | .... | ..... | .... | ..... | ..... | ..... | ..... |
| New Jersey | ..... | .... | ..... | ..... | ..... | .... | ..... | .... | ..... | ..... | 6,398 | 6.4 |
| New York | 4,306 | 8.2 | ..... | ..... | ..... | .... | ..... | .... | ..... | ..... | 7,496 | 7.5 |
| Oregon | ..... | .... | ..... | ..... | ..... | .... | 1,351 | 5.4 | ..... | ..... | ..... | .... |
| Pennsylvania | 1,773 | 3.4 | ..... | ..... | ..... | .... | ..... | .... | 10,767 | 12.1 | 7,237 | 7.2 |
| Rhode Island | ..... | .... | ..... | ..... | ..... | .... | 868 | 3.5 | 31,785 | 35.7 | 25,440 | 25.5 |
| Vermont | 793 | 1.5 | ..... | ..... | ..... | .... | 907 | 3.6 | ..... | ..... | ..... | .... |
| Wisconsin | ..... | .... | ..... | ..... | ..... | .... | 632 | 2.5 | ..... | ..... | ..... | .... |
| Other States | 14,588 | 27.6 | 2,469 | 58.7 | 5,812 | 56.4 | 3,325 | 13.3 | 13,482 | 15.1 | 11,828 | 11.8 |
| United States Total | 52,750 | 100.0 | 4,204 | 100.0 | 10,315 | 100.0 | 25,019 | 100.0 | 89,095 | 100.0 | 99,895 | 100.0 |

Source: Census of Manufactures "Woolen and Worsted Goods."

[1] It is impossible to determine how much of these goods are used by the Men's Clothing Industry.



is some small part that is utilized in the manufacture of upholstry, drapes, etc. No statistics outside of guesses have ever been advanced to show what per cent of the total amount of the material presented is used by the men's clothing industry.

Table 25 indicates the area of the country in which these materials are produced. Almost all of the raw materials for the men's clothing industry are produced in the eastern and north eastern states. All transportation costs for raw material are negligible, averaging no more than about five cents on a garment. Proximity to mills is, therefore, of no major significance.

# CHAPTER 3

## Characteristcs of the Industry

## CHAPTER 3

## CHARACTERISTICS OF THE INDUSTRY

In the men's clothing industry two kinds of production units exist -- the inside shop, and the contract shop. The owner and operator of the inside shop is known as the manufacturer; while the owner and operator of the contract shop is known as the contractor. Inside shops are the typical large-scale shops centralizing all the operations in the making of men's clothing in a single building, or group of buildings. All the productive processes are under one management. Quite often the term "manufacturer" designates the owner and operator of a shop in which the garment is merely cut, but not sewn together or finished, or the operator of a shop in which some of the garments are cut and finished, and others sent out. The common designation which differentiates all manufacturers from contractors in the men's clothing industry, is the fact that the manufacturer cuts the garment out of a bolt of cloth through the use of patterns and cutting machines.

### THE CONTRACTOR.

The manufacturer may or may not have the garment sewn and finished on his own premises, he may, so to speak, "farm out the garment", in which case he sends the cut garment with trimmings to a contractor who supplies the premises and labor in order to complete the garment. Some manufacturers depend almost entirely upon contractors to finish the greater part of their production; most manufacturers depend partly upon contractors, using them only in peak seasons when the work at hand is greater than the manufacturer's own productive capacity. Work is awarded by manufacturers to contractors on the basis of competitive bidding, viz., while the bidding

is not in the form of sealed estimates of any sort, which are opened at a certain hour, nevertheless the manufacturer submits the garment to several contractors for estimates, and very often plays off one contractor against another. The inability of the contractors to resist the pressures thus placed upon them is the focal point of the evils of the contract system. The intense competition among them to receive that number of garments which the manufacturer desires to "farm out" that day or week, results in lowering wage standards, and creating differentials in labor costs between contract shops and inside shops. The contractor is paid by the manufacturer for sewing and finishing the garment; the price usually covers the cost of labor to the contractor and some slim margin to cover overhead and profit. The "auction system" of playing off one contractor against another results in cutting of quoted prices by the contractor in order to receive the garments; most of the cuts, if not all, are eventually reflected in the lower wage given by the contractor to his employees.

The original growth of the contract system was caused primarily by the necessity for rapid expansion of productive facilities by the simplest means. In addition to the necessity for expansion, the governing forces of styles and seasonality require that the industry maintain productive machinery which will have flexibility of operation. A manufacturer is often unwilling or unable to maintain an inside shop equipped for peak season production. He is unwilling because he knows that for a part of the year, during the slack seasons, much of his machinery will remain idle. He may be unable to run a big inside shop for lack of capital. To invest money in rent and equipment which will yield a re-

turn only for a part of the year would seem to be bad economy, particularly when it is possible to obtain the necessary flexibility through employing contractors, of which there has always been an adequate supply. In addition, the manufacturer may feel that it is an advantage to know his exact production costs by settling definite contract prices in advance, without having to worry about the variables of overhead and productivity in the cost equation of an inside shop.

In peak seasons there is temptation for the unwary worker to start a contract shop. While the season lasts, all is well, but when the tide of work recedes, the marginal group of contractors, the small weekly financed shops, are forced to give up the struggle.

CONTRACTOR'S INVESTMENT.

A contract shop can be established at very little cost. A minimum of capital is required. The investment of the contractor may be practically nothing. Some contract shops have not over $500 invested in sewing machines, etc. These may be rented or purchased second-hand, and paid for out of current receipts from month to month. The cut material is furnished by the manufacturer who engages the services of the contractor and pays for the labor operations of the contract shop, including the contractor's overhead expenses and profit, if any. The facility with which an experienced operator may enter the garment manufacturing business on very small capital gives him this election: If he has insufficient funds to establish an inside shop, and still an amount inadequate to form the base of a wholesaling cutter's credit with piece-goods suppliers, then he becomes a contractor. There are many exceptions to the rule. The contractor may have a considerable investment in his plant, and in some

cases even assist in financing the manufacturer or cutter employing him, by not requiring prompt payment of the weekly labor payroll, but such instances are rare. Without a comprehensive survey it would be difficult to place an estimate on the average or total capital employed by contractors in this industry.

The contract system permits any person with a small capital to become a manufacturer. All that is necessary is to rent a small loft, hire a cutter, and send the work to the contractor. As no plant is necessary except a cutting table, many cutters, salesmen, and others conceive the idea of entering the business. Many such manufactories spring up every season, especially in New York. Their existence is possible only because of the contractor. Such manufacturers often last only one or two seasons, but they nevertheless injure the trade. In their anxiety to get business, which is very difficult for a beginner, they are generally compelled, if they are to do any business at all, to sell at prices that the regular manufacturers can not meet.

THE MANUFACTURER.

A number of advantages are enjoyed by the larger manufacturing establishments. The large manufacturer can usually buy materials on better terms than the small manufacturer, and the mills that furnish cloth usually make more prompt deliveries to him than to the small manufacturer. The large manufacturer, whose trade extends all over the United States and in regions where climatic conditions are different, can operate his factory on much more nearly a full-time basis than the small manufacturer.

One advantage secured by large manufacturers when practically all of their garments are made inside is that they are enabled to produce goods of uniform quality and to produce, season by season, garments that

exhibit distinctive characteristics. Such a result could not be obtained where the garments are made by various contractors, especially when they are not produced under the supervision of the manufacturing establishment.

Another advantage secured by a large establishment that has some or all of its work done by contract is that on account of its size it can furnish enough work to a contractor to make it an object with him to favor the large manufacturer over the smaller one in the way of lower prices and earlier delivery. The large manufacturer is thus enabled to make earlier deliveries to his customers, which is always important, because a large number of the cancellations of a firm are due to slow deliveries. Moreover, when deliveries are prompt, buyers are apt to reorder duplicates if the original order shows any sign of satisfying customers - which they cannot do if the original order arrives late, because by that time the selling season is well in swing and buyers are afraid to do much reordering for fear of being left with merchandise on the racks.

The medium-sized manufacturer, unless he produces some special line which is in demand and which his factory is generally known to produce, has keen competition from both the large manufacturers and the small manufacturers. He must have a selling organization similar to the organization of the large establishments and nearly as complete. To a great extent firms of medium size manufacture through contractors, and hence can not produce the same quality of garments as can be made under the direct supervision of large manufacturers inside the factory.

Almost always medium-sized establishments have a number of con-

tractors. This results in a lack of uniformity in the goods sold by the establishments, which is a fault that manufacturers try to avoid and that buyers are so quick to notice. Often orders are received with the specification that the garments must be made up in a certain manner and must have a certain appearance. It is difficult for the medium-sized establishment always to produce garments of specified qualities from season to season, or even during one season, for they are made up by a number of contractors who may work for a particular manufacturer only occasionally and hence have not learned what his customers demand, or may not have had the opportunity to teach their tailors how to produce garments for particular customers. An organization requires a long period of training before it is able to produce just what the manufacturer or his customers desire.

The very small manufacturer, as a rule, makes low-grade garments; the medium-sized manufacturer, as a rule, makes garments that are of better quality and higher cost, but usually a considerable part of his product is in competition with the output of the smaller manufacturer.

Some manufacturers prefer to have all garments made under their own supervision in their own shops, and utilize contract shops only in case of necessity. Some employ contractors for making vests or pants only, and others employ contractors for making cheaper grades of coats.

The contract system prevails to some extent in all clothing centers, but is more common in New York State and Maryland than elsewhere. Generally speaking, there is a tendency toward less contracting in the making of the better grades of clothing.

Following are some of the advantages which, it is claimed, accrue to manufacturers who employ the contract system:

1. When the contractor owns his machines the investment of the manufacturer for equipment is small.

2. Manufacturers relieved of labor responsibilities can devote their time and energy to other branches of their business.

3. A contractor can make up clothing cheaper than a manufacturer because he pays less rent, according to space, frequently is his own foreman and bookkeeper, and owing to his close personal supervision, can get more work done for the same wages than a manufacturer can from his inside employees.

4. Letting out work to the contractors reduces the overhead costs of manufacturers, because during the two dull seasons of the year machines do not remain idle in the manufacturer's factory.

5. The contract system enables the manufacturer to know readily, accurately, and in advance, the direct labor cost of each garment, thus making cost finding easier.

The most important disadvantage claimed concerning the contract system is as follows:

As a rule the manufacturer has no personal supervision over making the garments in contract shops. As a result the product is lacking in uniformity, and often is inferior in quality to the inside shop product. Each manufacturer that lets out work usually has several contractors. The lack of uniformity in product arises from the fact that several contractors make the same grade of garments, that the contractors employ workers of different degrees of skill, and that nearly always work is more hurriedly done in contract shops than in the factory. Without supervising the machine operating and pressing, the manufacturer can not emphasize his style features, which are so important in his business.

EXHIBIT-14

# MEN'S CLOTHING INDUSTRY EMPLOYMENT.

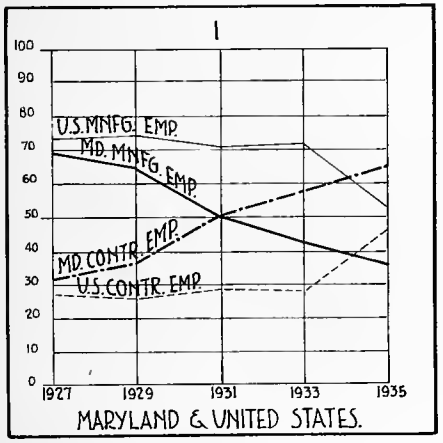
## COMPARATIVE TRENDS OF EMPLOYMENT IN MANUFACTURING SHOPS AND CONTRACTING SHOPS.

-LEGEND- UNITED STATES.
PER CENT EMPLOYED IN MANUFACTURING SHOPS ——— ——
PER CENT EMPLOYED IN CONTRACTING SHOPS -------

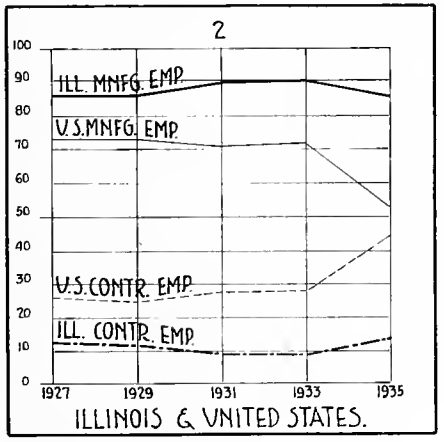
TOTAL WAGE EARNERS IN INDUSTRY EQUAL 100 PER CENT IN ANY YEAR.

-LEGEND- STATES.
PER CENT EMPLOYED IN MANUFACTURING SHOPS ———
PER CENT EMPLOYED IN CONTRACTING SHOPS ——·——·——

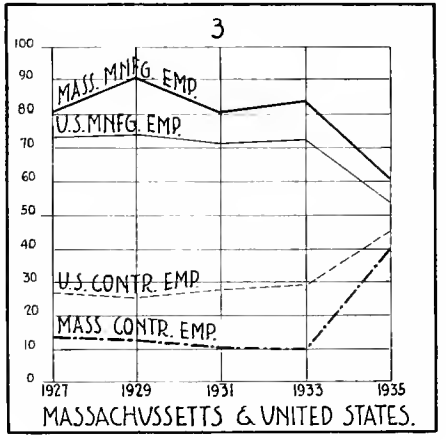
TOTAL WAGE EARNERS IN INDUSTRY IN THE STATE EQUAL 100 PER CENT IN ANY YEAR.



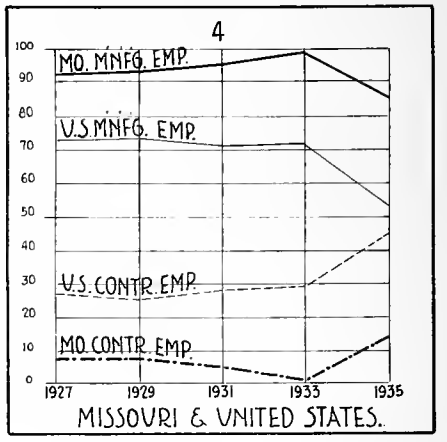
MARYLAND & UNITED STATES.



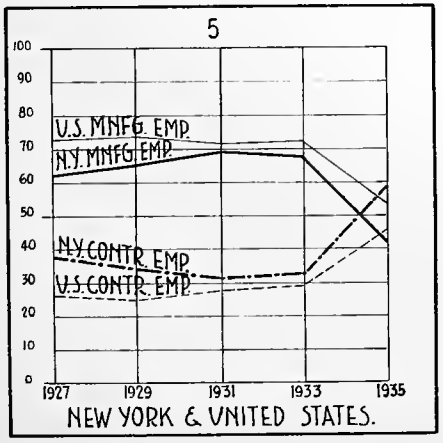
ILLINOIS & UNITED STATES.



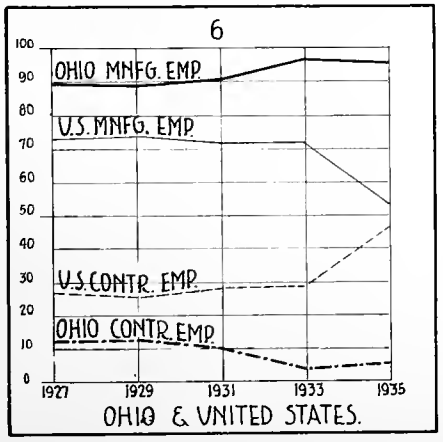
MASSACHUSSETTS & UNITED STATES.



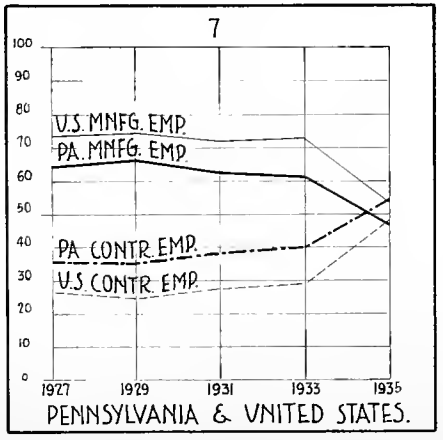
MISSOURI & UNITED STATES.



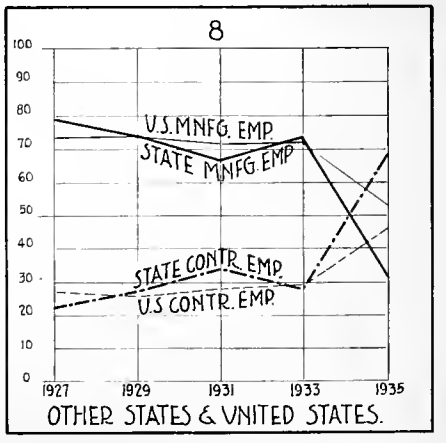
NEW YORK & UNITED STATES.



OHIO & UNITED STATES.



PENNSYLVANIA & UNITED STATES.



OTHER STATES & UNITED STATES.

-SOURCE-
U.S. CENSUS REPORTS 1927-33
N.R.A. REPORTS 1934 & FIRST THREE MONTHS-35.

NOTE: EXCLUDING WORK CLOTHING.

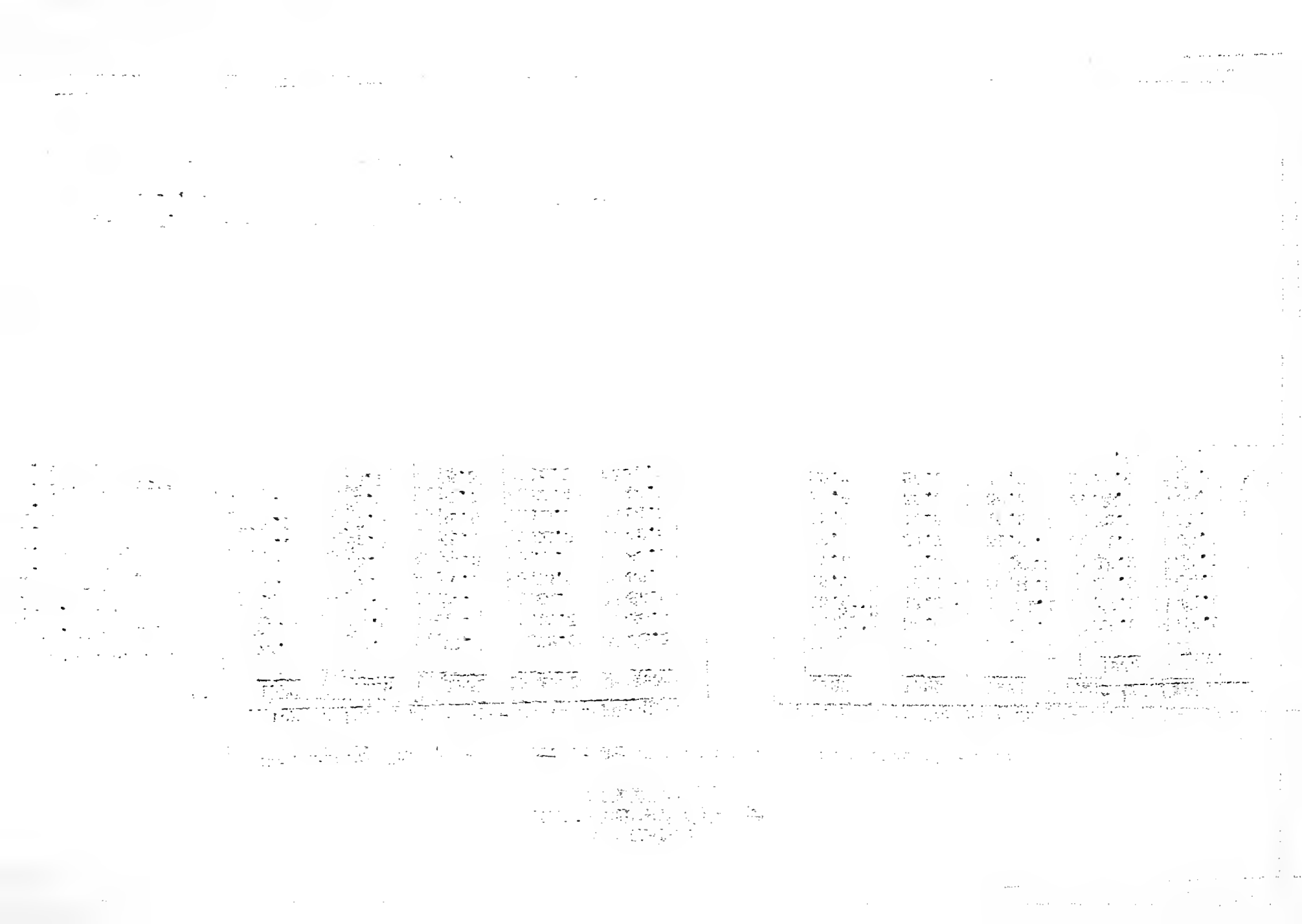
TABLE 26
MEN'S CLOTHING INDUSTRY
EMPLOYMENT

Comparative Trends Of Employment In Manufacturing Shops and Contracting Shops

| | Employees in Manufacturing Shops - Per Cent | | | | | Employees in Contract Shops- Per Cent | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1927 | 1929 | 1931 | 1933 | 1935 | 1927 | 1929 | 1931 | 1933 | 1935 |
| United States | 73.0 | 73.4 | 71.5 | 72.0 | 53.3 | 27.0 | 26.6 | 28.5 | 28.0 | 46.7 |
| 1. Maryland | 68.8 | 64.0 | 48.9 | 42.3 | 35.4 | 31.2 | 36.0 | 51.1 | 57.7 | 64.6 |
| 2. Illinois | 86.4 | 86.7 | 89.5 | 90.0 | 86.0 | 13.6 | 13.3 | 10.5 | 10.0 | 14.0 |
| 3. Massachusetts | 81.8 | 89.9 | 80.0 | 83.8 | 58.9 | 18.2 | 10.1 | 20.0 | 16.2 | 41.1 |
| 4. Missouri | 92.4 | 92.5 | 94.2 | 98.6 | 85.9 | 7.6 | 7.5 | 5.8 | 1.4 | 14.1 |
| 5. New York | 62.0 | 65.3 | 68.4 | 67.3 | 42.5 | 38.0 | 34.7 | 31.6 | 32.7 | 57.5 |
| 6. Ohio | 88.0 | 87.5 | 89.8 | 95.9 | 94.5 | 12.0 | 12.5 | 10.2 | 4.1 | 5.5 |
| 7. Pennsylvania | 63.4 | 65.0 | 61.7 | 60.4 | 46.0 | 36.6 | 35.0 | 38.3 | 39.6 | 54.0 |
| 8. Other States | 77.3 | 73.1 | 66.3 | 72.2 | 33.5 | 22.7 | 26.9 | 33.7 | 27.8 | 66.5 |

Source: U. S. Census Reports 1927-33
N.R.A. Reports 1934 and First Three Months 1935

This Table contains data for Exhibit 14.



MANUFACTURER'S INVESTMENT.[1]

To establish an inside shop the manufacturer is unwise to start with less than $50,000. Even then his success is doubtful except under most favorable conditions because of inherent incidental expenses. $75,000 is considered none too much to start on in this business. Turning his capital actively in each of two seasons, a successful manufacturer may do a gross volume anywhere from $175,000 to $250,000 on an investment of $75,000. There are members of the industry, however, manufacturing in their own factories, who have a total capital investment in excess of $10,000,000. With an investment of $75,000 the manufacturer cannot hope to tie up much of his capital in his plant - or at least no more than about $7500 (10% of capital).

The importance of the aforegoing as far as Baltimore is concerned can be seen by an examination of Table 26 and Exhibit 14. The evidence presented in this exhibit is an indication of the trend during the depression towards contract shops and away from manufacturing shops. In the first three months of 1935 - the last period for which statistics are available - we find that in Maryland 35.4% of the men's clothing employees are in manufacturing shops and 64.6% are in contract shops. This trend from 1927 through the first three months of 1935 in Maryland, not only anticipated the national trend toward contract shops - which one can quickly determine by glancing at Chart 1, of Exhibit 14 - but the Maryland trend also had been more inclined towards the contract shops than the national trend. Nationally we find that 53.3% of the U. S. men's clothing employees are in manufacturing shops, and 46.7% are in contract shops.

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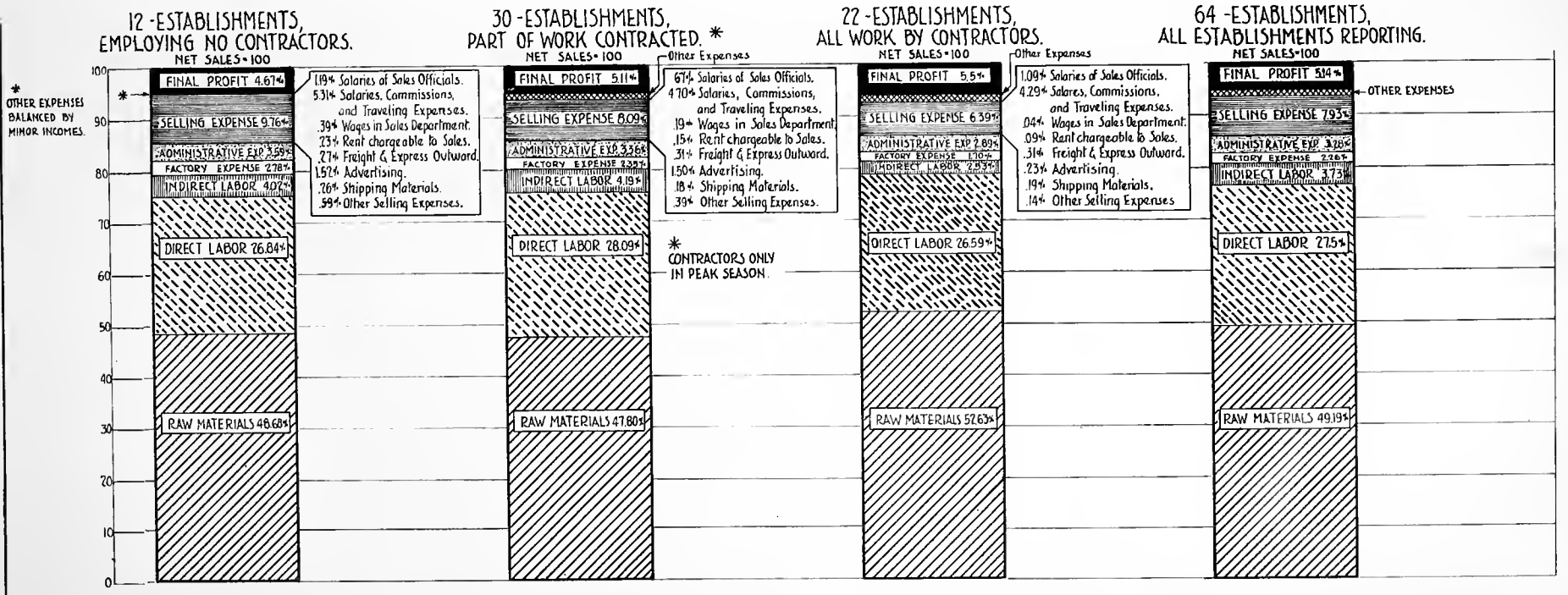
1 J. W. Hathcock, The Men's Clothing Industry, N.R.A. Works Material #58, Chapter II.

# EXHIBIT-15

# MEN'S CLOTHING INDUSTRY PRODUCTION.

## PERCENTAGES OF AVERAGE COSTS, BY SPECIFIED ITEMS AND PROFITS. BY GROUPS OF ESTABLISHMENTS




-SOURCE-
U.S. BUREAU OF FOREIGN AND DOMESTIC COMMERCE,
MISCELLANEOUS SERIES No. 34
THE MEN'S FACTORY MADE CLOTHING INDUSTRY.

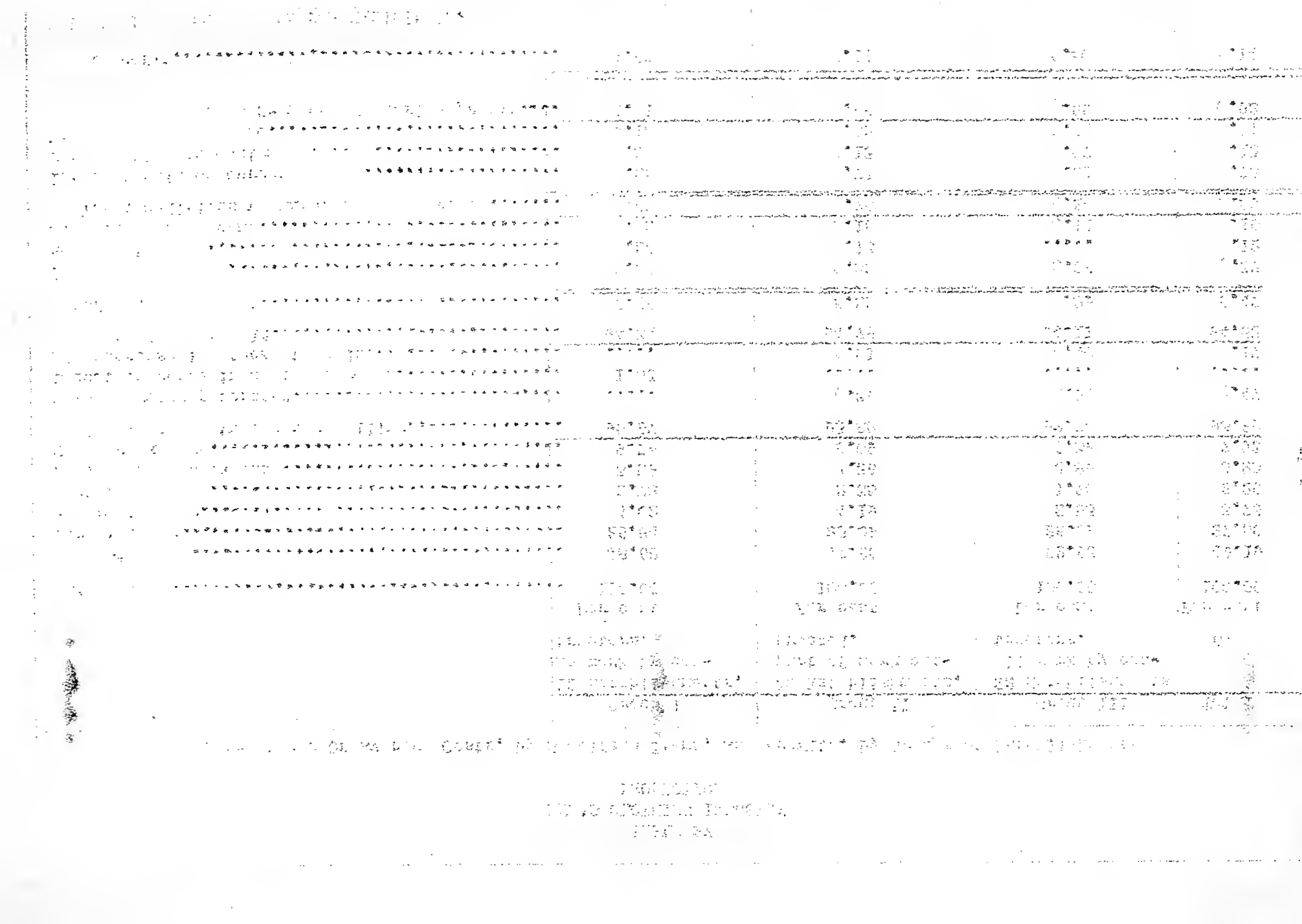
NOTE: EXCLUDING WORK CLOTHING.

TABLE 27
MEN'S CLOTHING INDUSTRY
PRODUCTION

Percentages Of Average Costs, By Specified Items, And Profits, By Groups Of Establishments

| | Group I<br>12 Establishments, no work by contractors. | Group II<br>30 Establishments, part of work contracted. | Group III<br>22 Establishments all work by contractors. | Total<br>64 |
|---|---|---|---|---|
| | Per cent | Per cent | Per cent | Per cent |
| Net sales | 100.00 | 100.00 | 100.00 | 100.00 |
| Raw materials | 48.68 | 47.80 | 52.63 | 49.19 |
| Direct labor | 26.84 | 28.09 | 26.59 | 27.50 |
| Indirect labor | 4.02 | 4.19 | 2.53 | 3.73 |
| Factory expense | 2.78 | 2.35 | 1.70 | 2.26 |
| Administrative expense | 3.59 | 3.36 | 2.89 | 3.28 |
| Selling expense | 9.76 | 8.09 | 6.39 | 7.93 |
| Total manufacturing and selling | 95.67 | 93.88 | 92.73 | 93.89 |
| Cost of goods purchased | ..... | 0.39 | 0.98 | 0.47 |
| Deduct increase in stock of goods | 1.33 | ..... | ..... | ..... |
| Add decrease in stock of goods | ..... | 0.51 | 0.40 | 0.17 |
| Cost of goods sold | 94.34 | 94.78 | 94.11 | 94.53 |
| Manufacturing profit | 5.66 | 5.22 | 5.89 | 5.47 |
| Interest received | 0.34 | 0.52 | 0.06 | 0.37 |
| Rent equivalent | 0.26 | 0.13 | ..... | 0.12 |
| Miscellaneous income | 0.02 | 0.10 | 0.14 | 0.10 |
| Total additions to manufacturing profit | 0.62 | 0.75 | 0.20 | 0.59 |
| Interest paid on current loans | 1.25 | 0.71 | 0.51 | 0.75 |
| Depreciation on equipment | 0.23 | 0.13 | 0.07 | 0.13 |
| Miscellaneous expense | 0.13 | 0.02 | 0.01 | 0.04 |
| Total deductions from manufacturing profit | 1.61 | 0.86 | 0.59 | 0.92 |
| Final profit | 4.67 | 5.11 | 5.50 | 5.14 |

This Table contains data for Exhibit 15.



There are three reasons for the trend towards contract shops:

1. Cost of production in a contract shop and in a manufacturing shop.
2. The amount of capital available to the manufacturer, and the proportion of that capital that is liquid.
3. Labor problems.

1. Cost of Production: Contract and Inside Shops

While there have been few statistical findings on this problem, nevertheless the available evidence would lead one to believe that by and large the most profitable method of conducting a clothing manufacturing establishment is to use contractors to a great extent. Table 27 and Exhibit 15 illustrate the difference in cost of production and net profit when no contractors are utilized, when some are utilized at peak season periods, and when they are utilized all the time. The largest average percentage of net profit was made by establishments in Group III, in which all work (except cutting) was contracted; the next largest average was made by Group II, in which part operating was contracted (at peak season periods); the lowest average was made by Group I, in which no part of the work was "farmed" out to contractors. While the difference in the net profits among the group was not large enough to prove conclusively that the most profitable method of manufacturing is through the utilization of contractors, nevertheless, this exhibit enables us to see wherein the different methods of manufacturing vary.

It will be noticed that the amounts paid for direct and indirect labor varied considerabley among the three groups:

Net Sales = 100 per cent

| | Group I | Group II | Group III |
|---|---|---|---|
| Direct and Indirect Labor | 30.86 | 32.28 | 29.12 |
| Factory expense | 2.78 | 2.35 | 1.70 |
| Administrative expense | 3.59 | 3.36 | 2.89 |

The difference in per cent paid for direct and indirect labor is due to the fact that contract shop employees who experience longer slack periods than manufacturing employees, can usually be made to take less pay per garment ( piece rate) than the manufacturing shop employee. As for the saving in indirect labor, as has been pointed out, the contractor is usually his own foreman and bookkeeper, while in a manufacturing plant it is rarely the case that the manufacturer is his own foreman or bookkeeper. The factory expense in each case varies since the manufacturers in Group I have to maintain an entire plant, and while these manufacturers in Group II have to do likewise, nevertheless the cost of such factory expense for the manufacturers in Group II is spread over all their garments including those made in the contract shop (for which the manufacturer presumably has no factory expense), and therefore is less in per cent than those in Group I. The manufacturers in Group III having no factory to maintain, except for a cutting plant, have a much smaller item for factory expense.

The only item for which the manufacturers employing all contract labor have the highest percentage is raw material:

| | | | |
|---|---|---|---|
| Raw Materials | 48.68 | 47.80 | 52.63 |

This possibly is due to the carelessness of contract employees in spoiling material, trimmings, buttons, pins, etc. In any case the total manufacturing and selling expense is as follows:

| | Group I | Group II | Group III |
|---|---|---|---|
| Manufacturing and selling expense | 95.67 | 93.88 | 92.73 |

After deducting various minor incomes, and adding various expenses, the cost of goods sold is as follows:

| | | | |
|---|---|---|---|
| Cost of goods sold: | 94.34 | 94.78 | 94.11 |
| Manufacturing profit: | 5.66 | 5.22 | 5.89 |

The average manufacturing profit or net sales varies but slightly in the grouping according to the method of manufacture. It thus appears that, on the average, the manufacturing profits are nearly the same whether the contract system is employed or whether the goods are made entirely or in part in the manufacturing establishment.

But when we come to compute the final profit, the difference is more significant.

| | Group I | Group II | Group III |
|---|---|---|---|
| Total additions to mfg. profit | 0.62 | 0.75 | 0.20 |
| Deductions from mfg. profit: | | | |
| Interest on current loans | 1.25 | 0.71 | 0.51 |
| Depreciation on equipment | 0.23 | 0.13 | 0.07 |
| Miscellaneous | 0.13 | 0.02 | 0.01 |
| Total deductions from mfg. profit | 1.61 | 0.86 | 0.59 |
| Final profit | 4.67 | 5.11 | 5.50 |

It is significant that the largest item in the deductions from manufacturing profit is interest on current loans; this evidently is an indication of the carrying charges of borrowed capital, and is fairly prevalent throughout the entire industry.

The only conclusion that we can reasonably infer from the statistical material just presented is that the cost of goods sold, whether

made up in a contract shop or manufacturing plant, or a combination of both, is almost identical, and the manufacturing profit is practically identical. The difference creeps in when we compute the final profit and find that interest and depreciation cut a considerable slice out of the manufacturing profit, and to a greater degree as the manufacturing is done entirely in one plant.

In a declining market we can quickly visualize what occurs, judging from the statistical breakdown given above. While the cost of materials usually falls, and the cost of labor usually falls, nevertheless the unit charge for interest on current loans and depreciation of equipment must go up due to the narrower range of production over which these charges can be spread. In a declining market the manufacturer who does all his manufacturing in his own plant usually has a far more difficult time managing to meet his financial obligations than the manufacturer who sends most of his work out to the contractor.

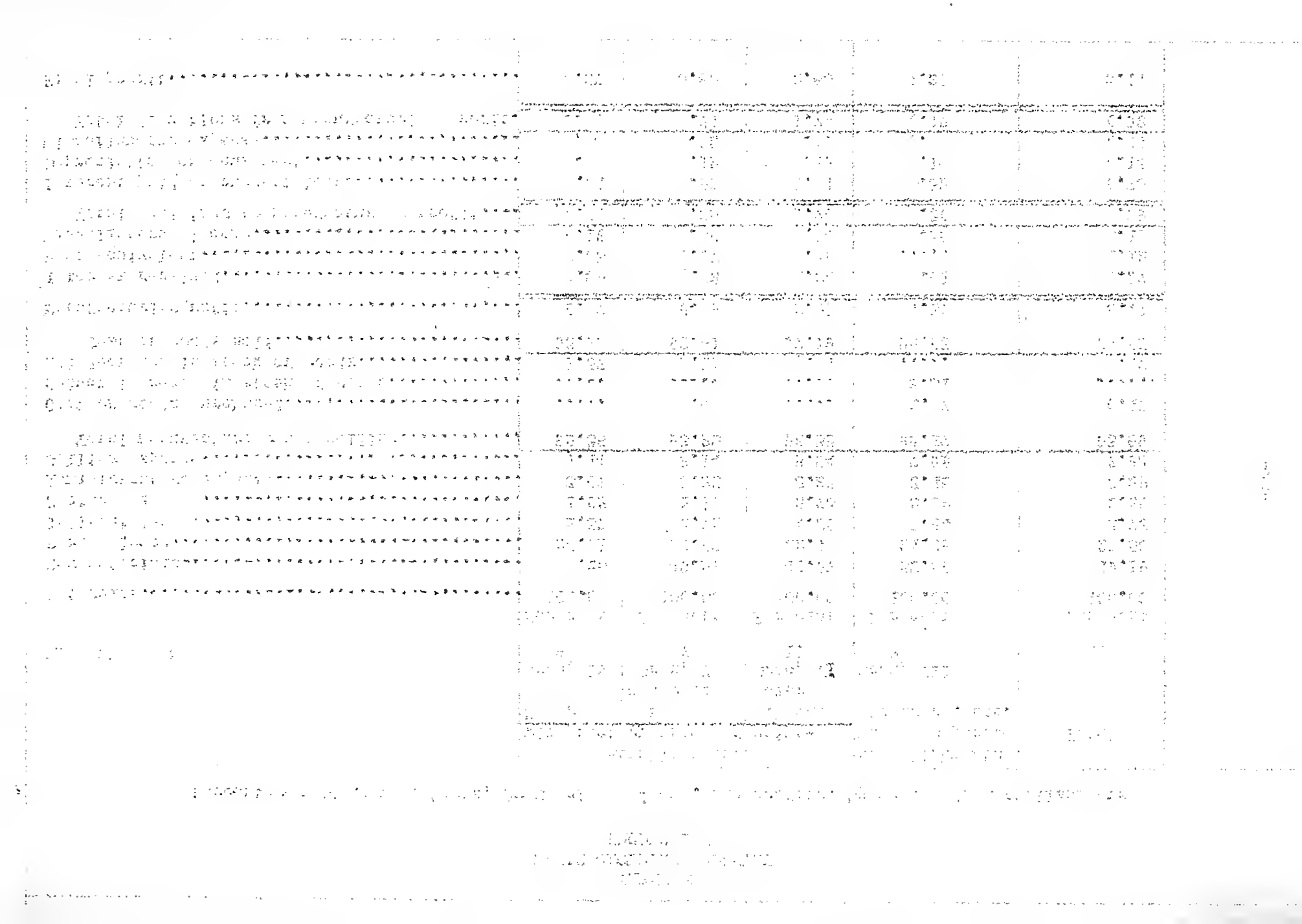
But the last statement must be qualified. For one thing, as pointed out earlier in the chapter, the manufacturer of high-grade garments, cannot utilize contractors because of the uniformity of fine tailoring necessary. Such a manufacturer must have every operation closely supervised, which is not always the case if the garment is sent out to the contractor. Sometimes manufacturers who produce their garments entirely in their own plants, find that in the peak of the season they cannot turn out their orders quickly enough to meet the demands of customers; in these cases the manufacturers will utilize contractors, but will send their own foremen into the contract shop to supervise the operations.

There are some manufacturers of cheap and medium grade garments who do not utilize contractors and earn a greater final profit than most

TABLE 28
MEN'S CLOTHING INDUSTRY
PRODUCTION

Percentages Of Average Costs, By Specified Items, And Profits, By Groups Of Establishments

| | Establishments with factory price of units- | | | Establishments making separate trousers, etc. | Total |
|---|---|---|---|---|---|
| | Under $8 | $8 and under $15 | $15 and over | | |
| Establishments | Group IV 8 | Group V 37 | Group VI 11 | Group VII 8 | 64 |
| | Per cent | Per cent | Per cent | Per cent | Per cent |
| Net sales | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Raw materials | 54.25 | 49.29 | 44.97 | 53.56 | 49.19 |
| Direct labor | 26.01 | 26.67 | 32.47 | 24.68 | 27.50 |
| Indirect labor | 2.37 | 3.72 | 4.39 | 3.64 | 3.73 |
| Factory expense | 1.62 | 2.17 | 2.73 | 2.62 | 2.26 |
| Administrative expense | 3.67 | 3.23 | 3.25 | 3.45 | 3.28 |
| Selling expense | 4.44 | 8.14 | 8.54 | 7.92 | 7.93 |
| Total manufacturing and selling | 92.36 | 93.22 | 96.35 | 95.87 | 93.89 |
| Cost of goods purchased | ..... | 0.48 | ..... | 2.07 | 0.47 |
| Deduct increase in stock of goods | ..... | ..... | ..... | 2.31 | ..... |
| Add decrease in stock of goods | 1.57 | 0.11 | 0.84 | ..... | 0.17 |
| Cost of goods sold | 93.93 | 93.81 | 97.19 | 95.63 | 94.53 |
| Manufacturing profit | 6.07 | 6.19 | 2.81 | 4.37 | 5.47 |
| Interest received | 0.09 | 0.22 | 1.24 | 0.01 | 0.37 |
| Rent equivalent | 0.03 | 0.07 | 0.38 | ..... | 0.12 |
| Miscellaneous income | 0.12 | 0.06 | 0.14 | 0.35 | 0.10 |
| Total additions to manufacturing profit | 0.24 | 0.35 | 1.76 | 0.36 | 0.59 |
| Interest paid on current loans | 0.94 | 0.60 | 1.44 | 0.32 | 0.75 |
| Depreciation on equipment | 0.07 | 0.12 | 0.19 | 0.10 | 0.13 |
| Miscellaneous expense | 0.03 | 0.02 | 0.11 | 0.05 | 0.04 |
| Total deductions from manufacturing profit | 1.04 | 0.74 | 1.74 | 0.47 | 0.92 |
| Final profit | 5.27 | 5.80 | 2.83 | 4.26 | 5.14 |



of the other manufacturers producing the same type of garment with the aid of contractors. These cases are exceptional, but they usually are as follows: A manufacturer producing a medium grade or cheap grade garment, and who has a tremendous capital, will establish plants in rural districts, purchase the very latest machinery and inaugurate minute subdivision of labor, e.g., a given operator sews one seam and one seam only, or a given operator sews one pocket, and one pocket only. Such manufacturers have their wholesale customers spread from one end of the country to another - with every different type of climatic condition - and in this manner they can keep their plants in operation almost every week in the year. The problem of huge fixed charges that have to be carried on a decreasing production schedule is usually not theirs - not even for an extended slack period.

In the main, it is the little and medium sized manufacturer who needs the contract shop. By utilizing the contract shop they can save a good part of the unit charges for necessary capital and depreciation on equipment. No one doubts that manufacturers who utilize contractors also borrow from banks and must pay interest charges; but the point here is that such capital is usually placed into production - possibly for raw material, or some such necessity - and not into fixed assets which must be carried, depression, or no depression.

In the light of the fact indicated in Exhibit 15 and Table 27, i.e., -- that on the average, the final profit is greater when the entire annual production is contracted out, than when only part of it is contracted out -- it is of interest to note the regrouping of the same 64 manufacturing establishments in Table 28.

This regrouping is on the basis of price -- or quality -- of

the garment manufactured. The largest net profit is earned, on the average, by the manufacturers of medium grade garments. This Table is cited in order to indicate that the average manufacturer of the cheapest garments does not always earn the largest net profit, in spite of the fact that the cheap garment manufacturer is most apt to employ contractors, or apt to employ contractors to a greater extent than the manufacturer of medium grade garments or the manufacturer of high grade garments.

This brings us to a discussion of the second point, i.e., the amount of capital used by the average manufacturer and the proportion of that capital which is sunk in fixed assets.

2. Capital: Its relation to the Contractor and Manufacturer.

The amount of capital available to the clothing manufacturer usually determines the amount of the obligations he can incur for raw materials and labor, this in turn usually determines the amount of net sales his company can enjoy and this in turn usually determines the turnover of his capital and the net return on his investment. By "usually" is meant, in the average market under normal conditions, viz., depressions are presumably not normal conditions. The proportion of the capital that is liquid usually determines not only the amount of obligations the manufacturer can incur for raw materials and so forth, but also is a determining factor in the price of his product. This is of great importance in a declining market in which demand has fallen, which necessitates the spread of fixed charges over a smaller production and thereby keeps prices higher than the prices of the manufacturer who has liquidated a good deal of his fixed assets.

The problem that faced most manufacturers when they went into the depression was the problem that generally faced most competitive

businesses: How to liquidate fixed assets in order to cut down on high unit charges which were mainly due to carrying a fixed investment on a decreased production schedule. The first method, and probably the simplest method of all, was to liquidate the inside shop - the manufacturing plant - and turn all, or most of the work over to contractors. This of course was only possible for manufacturers of cheap and medium grade clothing selling from $10.00 retail to about $20.00 retail. The problem of first rate hand tailoring is not particularly acute in this price bracket. Manufacturers of cheap clothing whose capital investment was greater than $1,000,000 or more, and who had gigantic plants operating on a most efficient basis with extreme breakdown in specialization of labor, found no necessity of cutting out their manufacturing plants. These manufacturers - with some exceptions - usually had their factories in rural districts, and their customers spread all over the country; they usually ran their plants almost every week in the year. It was the medium size manufacturer and the small manufacturer, whose markets were not as extensive, and who therefore had greater slack periods with idle machinery, who found it profitable to cut their own manufacturing plants, and "farm" their work out to contractors.

In Maryland that is exactly what happened in 1929. Up to 1929 there was no particular rise in contract shops due to any great need for them. From 1925 to 1929 a few Baltimore manufacturers left the city for rural districts in order to take advantage of the low labor cost in the counties of Pennsylvania, Maryland, and West Virginia. The employees left in the city by the manufacturers who had moved, were either hired by some other manufacturers or else drifted into contract shops. Some of these contract shops were set up by the employees themselves.

With the coming of the depression the liquidation of inside

shops really occurred. Every available device for cutting the cost of production was utilized; a few more of the manufacturers left the city due to the entrance of the clothing union into the Baltimore market in 1931, and many liquidated their inside shops in order to escape unionization of their plants. But the incidence of the N.R.A. in the middle of 1933 was the final factor that sent the Baltimore market completely over into the contract shop. For one thing, the average capital in the Baltimore market was small when compared with the average capital in other manufacturing centers. The coming of the N.R.A. - as will be noted in greater detail in the next chapter - placed a great burden upon the capital of almost every Baltimore clothing manufacturer; there was a great rise in labor cost and drastic financial terms set by the mills. The great rise in labor cost and new financial terms set by the mills placed almost all medium sized and small manufacturers in a very precarious financial position; in many cases their capital was insufficient to carry them over these two hurdles, and the only thing possible was the complete liquidation of most of their fixed assets so that they might have their capital available to meet labor terms and mill terms. The obvious thing to do was to liquidate the inside shops, and all over the country, from 1933 through the first three months of 1935, we find a rapid decline in employees connected with manufacturing shops and a rapid rise in employees connected with contract shops. A glance at Exhibit 14 will confirm this.

This liquidation of these inside shops permitted those small and medium sized manufacturers to utilize their capital in paying the higher labor cost and purchasing raw material under the new terms set by the mills. With their capital usable in this fashion they could obtain a greater sales volume and greater turnover, which in the last

analysis, would enable them to enjoy a greater return on their investment than if their capital had been sunk to a great extent in fixed assets. A partial confirmation of this point can be found in the following data.

A number of clothing firms throughout the country, associated with the National Credit Office, Inc., reported their net worth in 1933 as follows:

TABLE 29

| | Number of Firms Reporting | Average Capital Investment (Net Worth) |
|---|---|---|
| Baltimore | 12 | $ 48,122 |
| Chicago [1] | 8 | $ 48,962 |
| New York City | 130 | $ 55,240 |
| Philadelphia | 21 | $ 58,742 |
| United States | 229 | $ 65,893 |
| Boston | 9 | $ 67,647 |
| Cincinnati | 5 | $ 75,800 |
| Buffalo | 9 | $ 78,732 |
| All Others | 35 | $114,547 |

The average rate of capital turnover for all the 229 manufacturers in the above table was 3.7 times. For this group a ratio of capital to fixed investment was not available. The ratio of profit to net worth averaged 9.2%. However, the rate of turnover of the last group of manufacturers seems to be directly in line with 3.8 times, which was the average rate of capital turnover of another group of 238 clothing manufacturers who in 1933 had an average fixed asset investment of 9.33% of net worth.[2] In this instance the ratio of profit to net worth averaged 7.18%. On the other hand, a study of figures of 63 large clothing concerns having a 37% investment in fixed assets indicates a group turnover of only 2.75 times net worth.[3]

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1 Chicago - The Chicago branch of the industry was under an exceptional strain during this period when severe losses and readjustments occurred among the larger concerns, notably those who had tied themselves up to great numbers of retail establishments. The larger firms were therefore ruled out of this instant survey, which explains the smallness of the average capital investment in Chicago. Chicago really does not belong in the position which it occupies in the table.

2 "Behind the Scenes of Business", Roy A. Foulke, manager, Analytical Report Department, Dun and Bradstreet, Inc., 1935, pp. 144-145.

3 Analysis of Percentages in Robert Morris Associates Statement Studies, 1933.

In this last instance, the ratio of profit to net worth averaged 3.6%. In short, the large manufacturers who either did not, or could not, liquidate a great part of their fixed assets had all the incidental worries of conducting a large business with a heavy fixed investment, but did not secure a comparable return.

The Baltimore market did not suffer from any such distress. As is evident from the last table, the average net worth of the representative Baltimore manufacturer was the smallest of the entire list. But while minuteness of capital is no virtue, most of the Baltimore capital was comparatively free of fixed assets; most Baltimore capital was fairly liquid. The liquidation took place from the period of 1929 through 1932, and the contract shops increased. As a result the Baltimore men's clothing index of employment (as displayed in Exhibit 1, page 18) was consistently higher up to the period of the N.R.A. than the United States index. The ability to undersell other manufacturing centers was in part dependent upon the fact that the Baltimore manufacturer did not have a great amount of fixed charges to carry over in the selling price of his product.

3. Labor: Contract and Inside Shops

In all negotiations with labor in the men's clothing industry the most important are those dealing with wage rates per garment, or wage rates per hour. Most manufacturers who have inside shops are usually at a disadvantage when it comes to wage-rate bargaining with their employees, as compared with other manufacturers who have no inside shops and who send their garments out to contractors. The inside manufacturer is at a disadvantage if his employees should by any chance prove recalcitrant and thereby hold up the work, for the manufacturer finds himself in the

position of losing money while his plant is idle, and losing customers and reorders if his deliveries are late. As far as man-hours are concerned, the inside manufacturer tries as much as possible to keep his machinery working; as a result most manufacturing shop employees put in more man-hours than the contract shop employees.

It must be remembered here that the manufacturers referred to are the small and medium size manufacturers; the really large ones with great capital, and who manufacture the type of clothing that does not depend upon very skilled hand-tailoring, have very little trouble as to wage rates or man-hours. These manufacturers - as has been pointed out - due to their extensive markets, can keep their machinery in use most of the time, and can usually pay whatever wage-rates they choose to pay due to the fact that they can command all the cheap labor they desire. The fact that they offer fairly steady work is an item in bringing down wage-rates, and the fact that they are so large is an item in intimidating employees in accepting the wage-rates offered.

As far as inside shops and unions are concerned, the inside manufacturer is again at a disadvantage when compared with the manufacturer utilizing contract shops. The average inside manufacturer's capital is usually such that he cannot withstand an effective strike for any extensive period of time. In most cases when a clothing union penetrates any producing area, in the long run the union eventually wins, at least with all the little and medium size manufacturers. Manufacturers utilizing contract establishments have no particular worries about union rates of pay or union hours. By playing off one contractor against another through the "auction system", the manufacturers can force the wages in contract shops down below the ordinarily prevailing rates, or down below the union

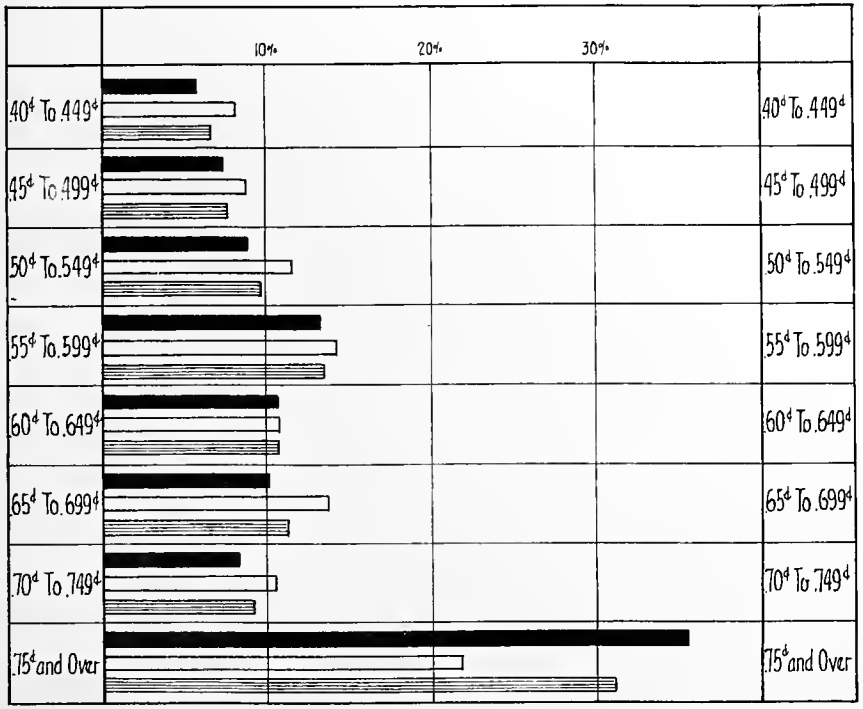
-LEGEND-
PER CENT OF EMPLOYEES IN MANUFACTURING SHOPS
PER CENT OF EMPLOYEES IN CONTRACTING SHOPS
PER CENT OF TOTAL EMPLOYEES

# EXHIBIT-16

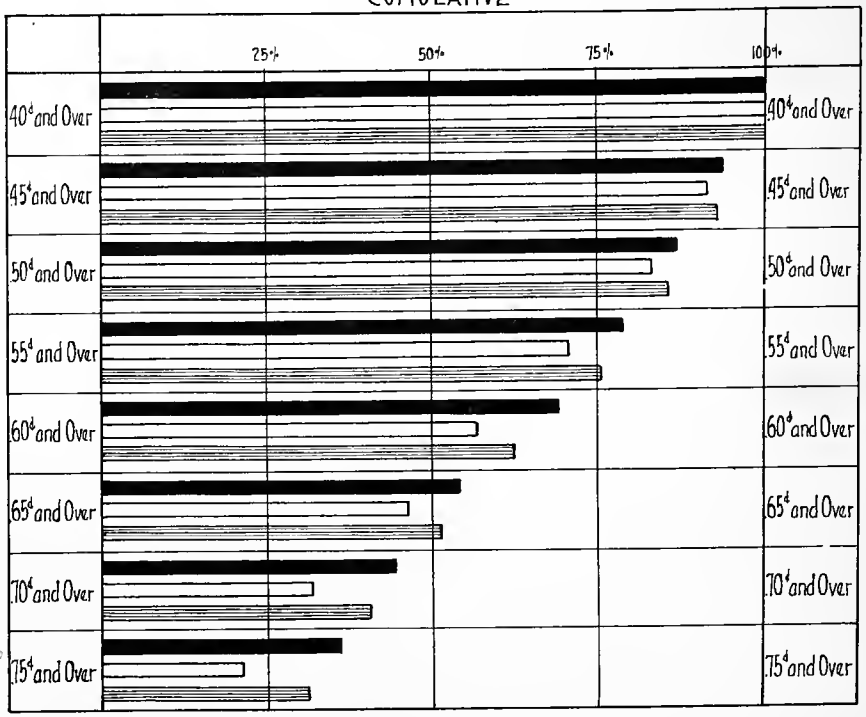
# MEN'S CLOTHING INDUSTRY
# WAGES.

DISTRIBUTION OF AVERAGE HOURLY WAGE PAID IN 1934.
COMPUTED FOR 99107 EMPLOYEES
IN 1471 ESTABLISHMENTS.

-NON CUMULATIVE-




-CUMULATIVE-




-SOURCE-
PAY ROLL REPORTS OF
MEN'S CLOTHING CODE AUTHORITY, N.R.A.

NOTE: EXCLUDING WORK CLOTHING.

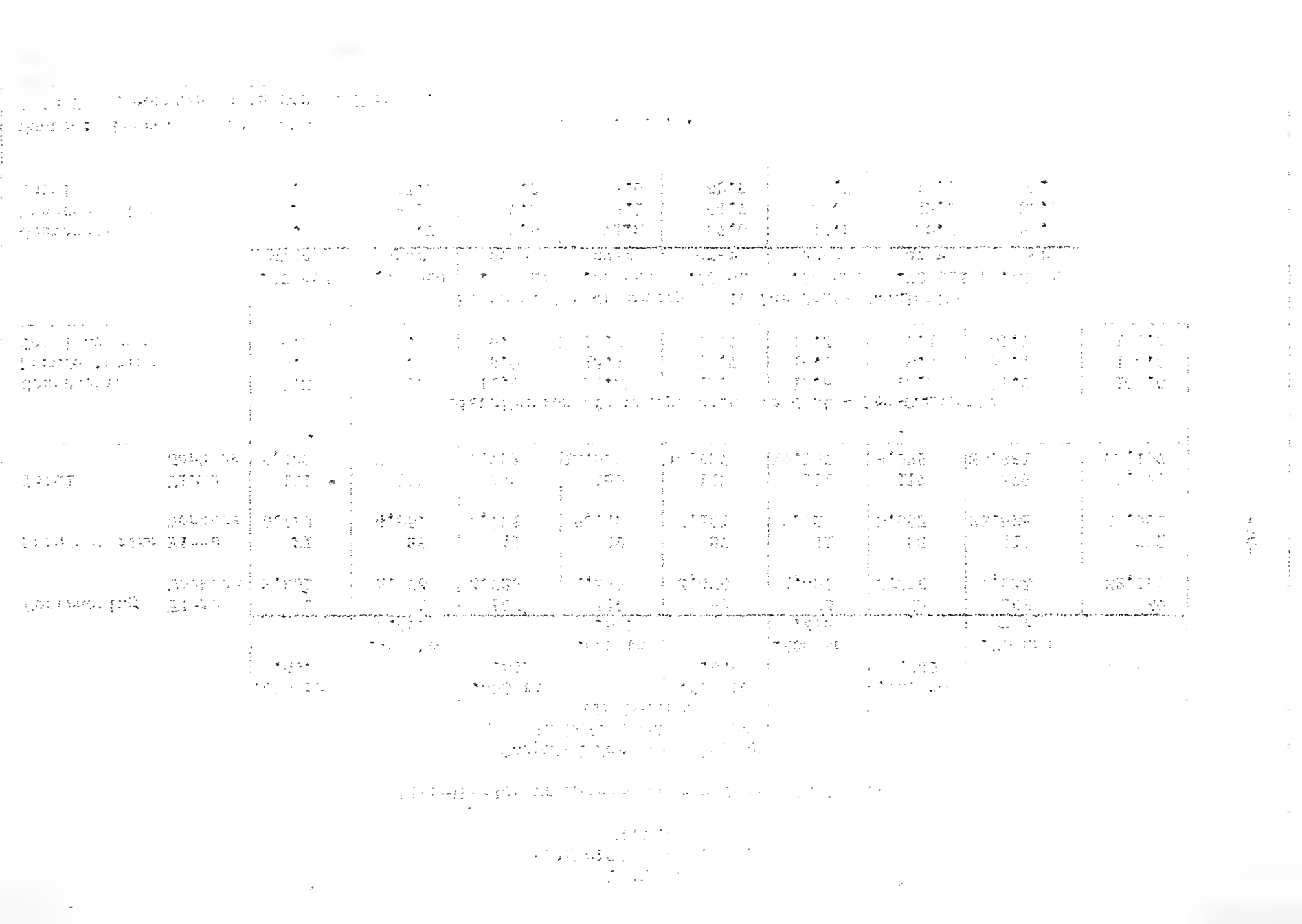
TABLE 30
MEN'S CLOTHING INDUSTRY
WAGES

Distribution Of Average Hourly Wage Paid in 1934

Computed For 99107 Employees
in 1471 Establishments.
(In Dollars)

| | | .400 to .449 | .450 to 0.499 | .500 to .549 | .550 to .599 | .600 to .649 | .650 to .699 | .700 to .749 | .75 and Over | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Contracting | Firms | 80 | 82 | 106 | 110 | 88 | 73 | 62 | 168 | 769 |
| | Workers | 2,651 | 2,876 | 3,729 | 4,588 | 3,476 | 4,459 | 3,386 | 7,033 | 32,198 |
| Manufacturing | Firms | 21 | 28 | 41 | 49 | 57 | 41 | 55 | 410 | 702 |
| | Workers | 3,799 | 4,859 | 5,992 | 8,949 | 7,161 | 6,728 | 5,593 | 23,828 | 66,909 |
| Total | Firms | 101 | 110 | 147 | 159 | 145 | 114 | 117 | 578 | 1,471 |
| | Workers | 6,450 | 7,735 | 9,721 | 13,537 | 10,637 | 11,187 | 8,979 | 30,861 | 99,107 |
| | | Distribution Of Employees In Per Cent - Non-Cumulative | | | | | | | | |
| Contracting | | 8.2 | 8.9 | 11.6 | 14.2 | 10.8 | 13.8 | 10.5 | 21.9 | 100.0 |
| Manufacturing | | 5.7 | 7.3 | 9.0 | 13.4 | 10.7 | 10.1 | 8.4 | 35.4 | 100.0 |
| Total Average | | 6.5 | 7.8 | 9.8 | 13.6 | 10.7 | 11.3 | 9.1 | 31.1 | 100.0 |
| | | Distribution Of Employees In Per Cent- Cumulative | | | | | | | | |
| | | .40 and over | .45 and over | .50 and over | .55 and over | .60 and over | .65 and over | .70 and over | .75 and over | |
| Contracting | | 100.0 | 91.7 | 82.8 | 71.2 | 57.0 | 46.2 | 32.3 | 21.8 | |
| Manufacturing | | 100.0 | 94.3 | 87.0 | 78.1 | 64.7 | 54.0 | 43.9 | 35.6 | |
| Total | | 100.0 | 93.5 | 85.7 | 75.9 | 62.2 | 51.5 | 40.1 | 31.1 | |

Source: Payroll Reports of Men's Clothing Code Authority, N.R.A.
This Table contains data for Exhibit 16.



rate. With many contract shops and with a great majority of employees in the contract shops, the union has a difficult administrative problem. From the union point of view, it is much simpler to control rates and hours of several inside shops, than it is to do the same for a similar number of employees spread over innumerable shops.

Table 30 and Exhibit 16 showing the distribution among 99,107 employees of the average hourly wage paid throughout the country, indicate quite clearly the difference in wage rates received by contract shop employees and manufacturing shop employees. In all categories of hourly wage rates of Exhibit 16, there will be found that a greater percentage of contract shop employees receive less per hour than manufacturingshop employees. This is true with one exception, in the highest wage bracket. There we find that a greater percentage of manufacturing employees receive 75¢ and over per hour, than contract shop employees.

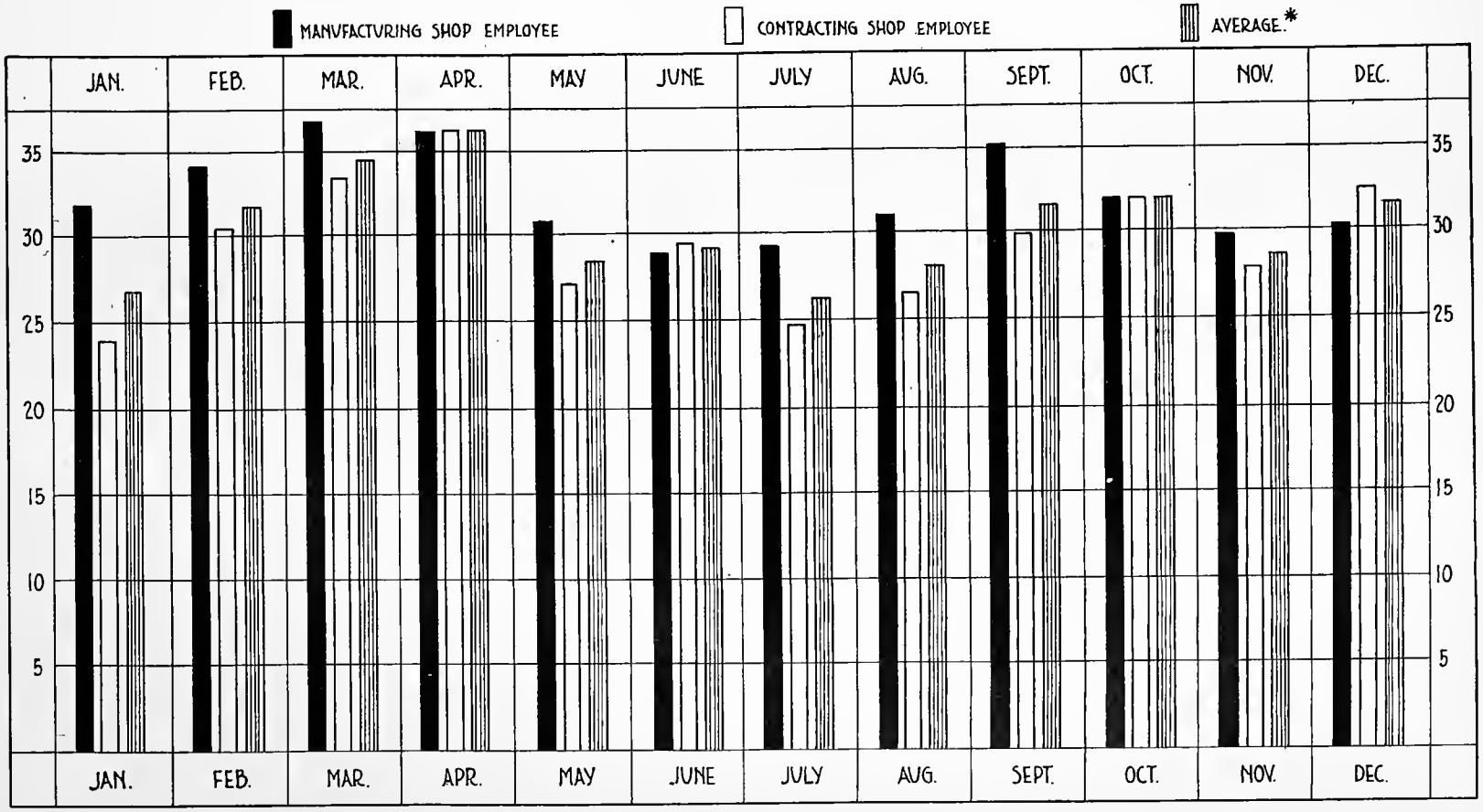
In Exhibit 16 we find the same material arranged in cumulative percentages; since this data deals with the N.R.A. lays, all employees in the northern section of the industry received over 40¢ an hour. As will be noted in Exhibit 16, a greater percentage of the manufacturing employees received a higher wage than contract shop employees. Unfortunately the N.R.A. never gathered statistics on the difference in man-hours worked by manufacturing shop employees and contract shop employees. If they were available it would be simple to prove that contract shop employees worked less man-hours per week than manufacturing shop employees and as a result earned less weekly wages. But while there are no national figures to prove the latter point a representative sample of the Baltimore industry was made and the results proved the point exactly.

EXHIBIT - 17

# MEN'S CLOTHING INDUSTRY EMPLOYMENT.

## MAN HOURS PER WEEK PER EMPLOYEE.

BALTIMORE-1935




-SOURCE-
MARYLAND COMMISSIONER OF LABOR & STATISTICS.

* AVERAGE BASED ON RATIO OF 65 CONTRACTING SHOP EMPLOYEES TO 35 MANUFACTURING SHOP EMPLOYEES.

NOTE: EXCLUDING WORK CLOTHING.

TABLE 31 This Table contains data for Exhibit 17.

MEN'S CLOTHING INDUSTRY

EMPLOYMENT

Man-Hours Per Week Per Employee, Baltimore - 1935

| Month | Manufacturing Shops | | | Contracting Shops | | |
|---|---|---|---|---|---|---|
| | Number Employees | Number Man-Hours | Man-Hours Per Employee | Number Employees | Number Man-Hours | Man-Hours Per Employee |
| January | 606 | 19292 | 31.9 | 550 | 13202 | 24.0 |
| February | 674 | 23061 | 34.2 | 552 | 16787 | 30.4 |
| March | 690 | 25156 | 36.5 | 566 | 18925 | 33.4 |
| April | 683 | 24613 | 36.0 | 574 | 20755 | 36.1 |
| May | 631 | 19464 | 30.8 | 573 | 15524 | 27.1 |
| June | 628 | 18107 | 28.8 | 568 | 16718 | 29.4 |
| July | 628 | 18339 | 29.2 | 557 | 13764 | 24.7 |
| August | 657 | 20363 | 31.0 | 584 | 15479 | 26.5 |
| September | 673 | 23659 | 35.2 | 601 | 17995 | 29.9 |
| October | 624 | 19988 | 32.0 | 591 | 18922 | 32.0 |
| November | 607 | 18055 | 29.7 | 580 | 16168 | 27.9 |
| December | 583 | 17580 | 30.2 | 590 | 19168 | 32.5 |
| Average | 640 | 20640 | 32.2 | 574 | 16951 | 29.5 |

Computations To Determine Weighted Average*

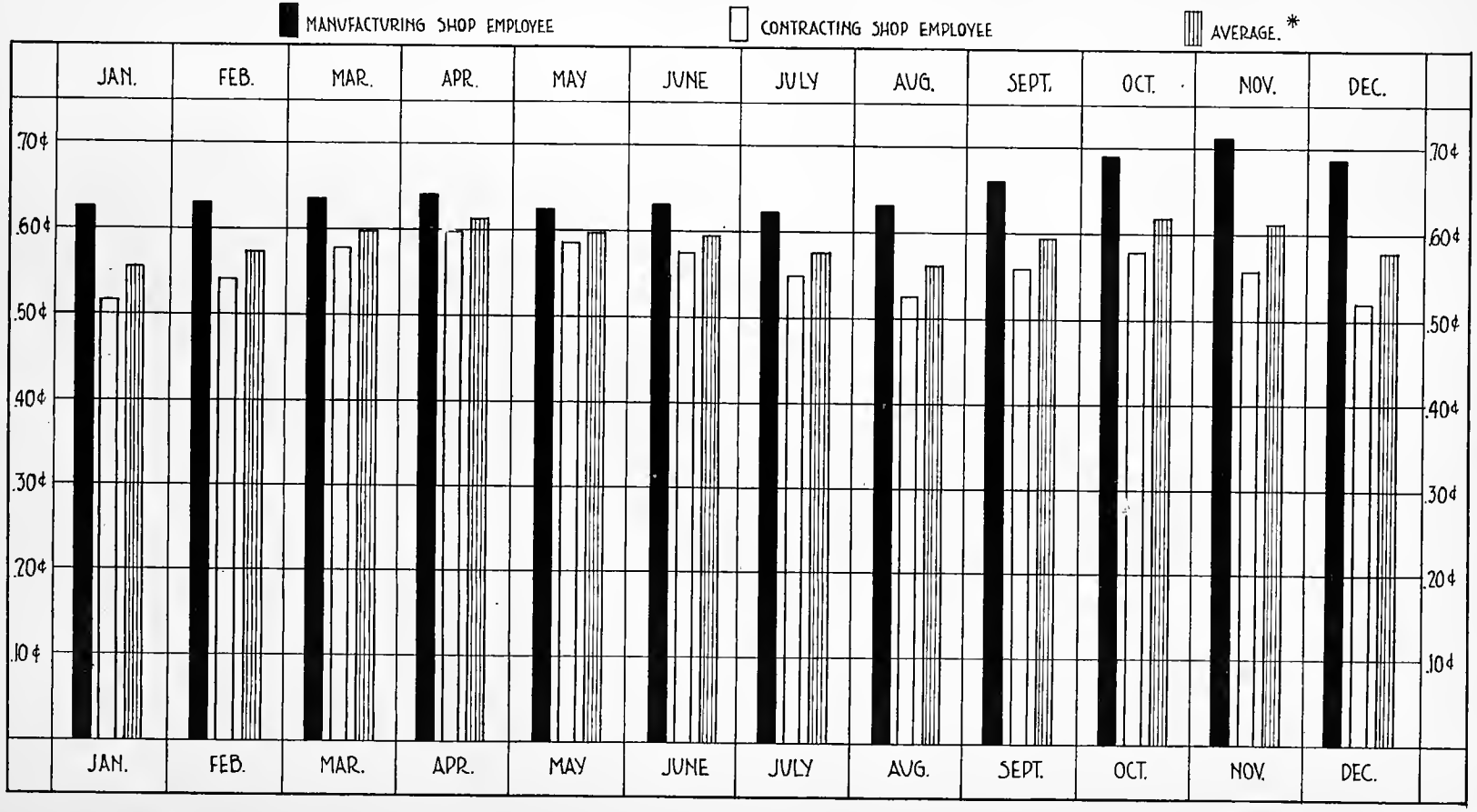
| Month | Man'f Shop | Contr. Shop | Computations | | | | Average Man-Hours |
|---|---|---|---|---|---|---|---|
| January | 31.9 | 24.0 | (.35 x 31.9) | + | (.65 x 24.0) | = | 26.8 |
| February | 34.2 | 30.4 | (.35 x 34.2) | + | (.65 x 30.4) | = | 31.7 |
| March | 36.5 | 33.4 | (.35 x 36.5) | + | (.65 x 33.4) | = | 34.5 |
| April | 36.0 | 36.1 | (.35 x 36.0) | + | (.65 x 36.1) | = | 36.1 |
| May | 30.8 | 27.1 | (.35 x 30.8) | + | (.65 x 27.1) | = | 28.4 |
| June | 28.8 | 29.4 | (.35 x 28.8) | + | (.65 x 29.4) | = | 29.2 |
| July | 29.2 | 24.7 | (.35 x 29.2) | + | (.65 x 24.7) | = | 26.2 |
| August | 31.0 | 26.5 | (.35 x 31.0) | + | (.65 x 26.5) | = | 28.0 |
| September | 35.2 | 29.9 | (.35 x 35.2) | + | (.65 x 29.9) | = | 31.7 |
| October | 32.0 | 32.0 | (.35 x 32.0) | + | (.65 x 32.0) | = | 32.0 |
| November | 29.7 | 27.9 | (.35 x 29.7) | + | (.65 x 27.9) | = | 28.5 |
| December | 30.2 | 32.5 | (.35 x 30.2) | + | (.65 x 32.5) | = | 31.7 |
| Average | 32.1 | 29.5 | (.35 x 32.1) | + | (.65 x 29.5) | = | 30.4 |
| | | | AVERAGE ANNUAL MAN-HOURS PER EMPLOYEE | | | | |
| Total Employees | 1,670 | 1,535 | (.35 x 1,670) | + | (.65 x 1,535) | = | 1,582 |

* Based on ratio of 65 Contract Shop Employees to 35 Manufacturing Shop Employees.

# EXHIBIT 18

## MEN'S CLOTHING INDUSTRY WAGES.

WAGE RATE PER MAN HOUR PER EMPLOYEE.
BALTIMORE-1935




-SOURCE-
MARYLAND COMMISSIONER OF LABOR & STATISTICS.

* AVERAGE BASED ON RATIO OF 65 CONTRACTING SHOP EMPLOYEES TO 35 MANUFACTURING SHOP EMPLOYEES.

NOTE: EXCLUDING WORK CLOTHING.

This Table contains data for Exhibit 18.

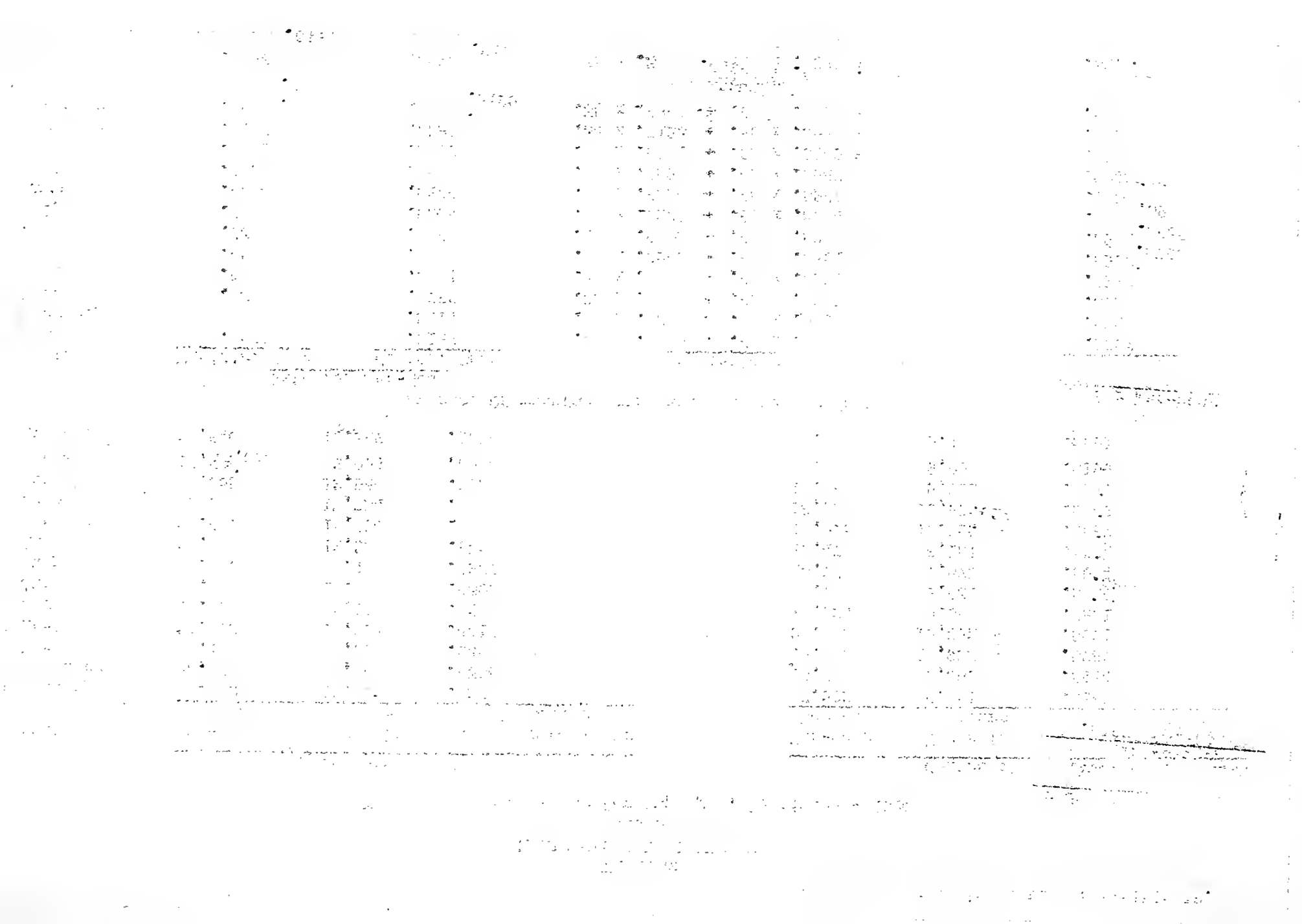
# TABLE 32
## MEN'S CLOTHING INDUSTRY
## WAGES
### Wage Rate Per Man-Hour Per Employee, Baltimore - 1935

| Months | Manufacturing Shops | | | Contracting Shops | | |
|---|---|---|---|---|---|---|
| | Man-Hours Worked | Wages In Dollars | Rate Per Man-Hour In Dollars | Man-Hours Worked | Wages In Dollars | Rate Per Man-Hour In Dollars |
| January | 19,292 | 12,092 | .6268 | 13,202 | 6,821 | .5167 |
| February | 23,061 | 14,548 | .6308 | 16,787 | 9,089 | .5414 |
| March | 25,156 | 15,995 | .6358 | 18,925 | 10,953 | .5787 |
| April | 24,613 | 15,793 | .6416 | 20,755 | 12,392 | .5971 |
| May | 19,464 | 12,177 | .6265 | 15,524 | 9,083 | .5851 |
| June | 18,107 | 11,416 | .6305 | 16,718 | 9,631 | .5760 |
| July | 18,339 | 11,438 | .6237 | 13,764 | 7,575 | .5504 |
| August | 20,363 | 12,869 | .6320 | 15,479 | 8,151 | .5266 |
| September | 23,659 | 15,604 | .6595 | 17,995 | 10,055 | .5587 |
| October | 19,988 | 13,754 | .6881 | 18,922 | 10,992 | .5809 |
| November | 18,055 | 12,860 | .7123 | 16,168 | 9,022 | .5581 |
| December | 17,580 | 12,094 | .6880 | 19,168 | 9,964 | .5199 |
| Average | 20,640 | 13,387 | .6486 | 16,951 | 9,477 | .5591 |



### Average Of Manufacturing and Contracting Shops

| Month | Rate Per Man-Hour | | Computations | Average Rate Per Man-Hour |
|---|---|---|---|---|
| | Man'f'g. Shop | Contr'g. Shop | | |
| January | .6268 | .5167 | .35 x .6268 + .65 x .5167 = | .5552 |
| February | .6308 | .5414 | .35 x .6308 + .65 x .5414 = | .5727 |
| March | .6358 | .5787 | .35 x .6358 + .65 x .5787 = | .5987 |
| April | .6414 | .5971 | .35 x .6416 + .65 x .5971 = | .6127 |
| May | .6265 | .5851 | .35 x .6265 + .65 x .5851 = | .5993 |
| June | .6305 | .5760 | .35 x .6305 + .65 x .5760 = | .5951 |
| July | .6237 | .5504 | .35 x .6237 + .65 x .5504 = | .5760 |
| August | .6320 | .5266 | .35 x .6320 + .65 x .5266 = | .5635 |
| September | .6595 | .5587 | .35 x .6595 + .65 x .5587 = | .5940 |
| October | .6881 | .5809 | .35 x .6881 + .65 x .5809 = | .6184 |
| November | .7123 | .5581 | .34 x .7123 + .65 x .5581 = | .6120 |
| December | .6880 | .5199 | .35 x .6880 + .65 x .5199 = | .5787 |
| | | | Annual Average | |
| Average | .6496 | .5575 | .35 x .6496 + .65 x .5575 = | .5898 |



Baltimore Employees:

In Table 31 and Exhibit 17 will be found a comparison of the average man-hours per week of an employee of a contract shop, ofan employee of a manufacturing shop, and the weighted average of both. The average contract shop employee in Baltimore in 1935, worked 1,535 man-hours per year, while the average manufacturing shop employees worked 1,670 man-hours per year, - the difference being 135 man-hours. This means that the average contract shop employee had 4½ weeks of employment less than the manufacturing shop employee for the year. Whatever the slack periods of each may be - and an average distorts the duration and extent of the slack period - the contract employee works 4½ weeks less than the manufacturing employee per year.

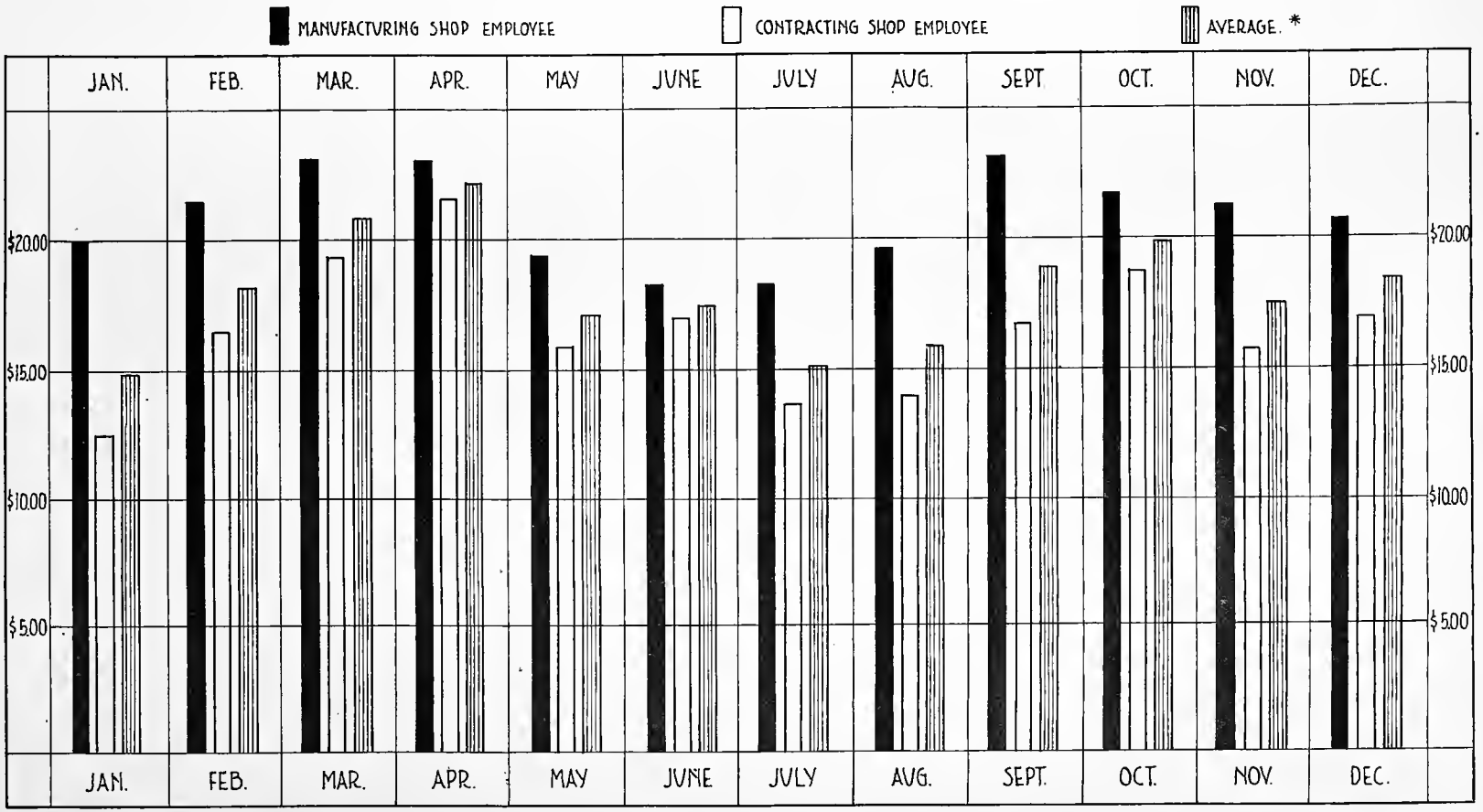
Together with the fact that the average contract employee works less man-hours per year than the average manufacturing employee, there is also a difference in average wage per man-hour. The average contract employee received $0.55 per man-hour, the average manufacturing employee received $0.64 per man-hour, a difference of $0.09. The latter difference can be seen by examining Table 32 and Exhibit 18.

Judging from Table 32, it would seem that the average Baltimore employee received a wage rate of about 59 cents per hour in 1935. The sample from which such evidence was gathered was based mainly on unionized establishments. These, however, represent no more than one-half of the employees in the city. Private investigation has disclosed wage rates as low as five and ten cents an hour for many small non-union contract establishments. These latter rates or establishments have not been taken into consideration because they usually do not file any payroll or man-

EXHIBIT-19

# MEN'S CLOTHING INDUSTRY WAGES.

WEEKLY EARNINGS PER EMPLOYEE.
BALTIMORE-1935




-SOURCE-
MARYLAND COMMISSIONER OF LABOR & STATISTICS.

* AVERAGE BASED ON RATIO OF 65 CONTRACTING SHOP EMPLOYEES TO 35 MANUFACTURING SHOP EMPLOYEES.

NOTE: EXCLUDING WORK CLOTHING.

TABLE 33

MEN'S CLOTHING INDUSTRY

WAGES

Weekly Earnings Per Employee

BALTIMORE - 1935

| Month | Manufacturers Computations: Av. Hourly Wage | Man-hours | Earnings Manf. Employees | Contractors Computations: Av. Hourly Wage | Man-hours | Earnings Contr. Employees | Averages Computations: Av. Hourly Wage | Man-hours | Earnings |
|---|---|---|---|---|---|---|---|---|---|
| January | (.6268) | (31.9) | $20.0 | (.5157) | (24.0) | $12.4 | (.5552) | (26.8) | $14.9 |
| February | (.6308) | (34.2) | 21.5 | (.5414) | (30.4) | 16.4 | (.5727) | (31.7) | 18.1 |
| March | (.6358) | (36.5) | 23.2 | (.5787) | (33.4) | 19.3 | (.5987) | (34.5) | 20.7 |
| April | (.6416) | (36.0) | 23.1 | (.5971) | (36.1) | 21.6 | (.6127) | (36.1) | 22.1 |
| May | (.6256) | (30.8) | 19.3 | (.5851) | (27.1) | 15.8 | (.5993) | (28.4) | 17.0 |
| June | (.6305) | (28.8) | 18.2 | (.5760) | (29.4) | 16.9 | (.5951) | (29.2) | 17.4 |
| July | (.6237) | (29.2) | 18.2 | (.5504) | (24.7) | 13.5 | (.5760) | (26.2) | 15.1 |
| August | (.6328) | (31.0) | 19.6 | (.5266) | (26.5) | 13.9 | (.5635) | (28.0) | 15.8 |
| September | (.6593) | (35.2) | 23.2 | (.5587) | (29.9) | 16.7 | (.5940) | (31.7) | 18.8 |
| October | (.6881) | (32.0) | 21.8 | (.5809) | (32.0) | 18.6 | (.6184) | (32.0) | 19.8 |
| November | (.7123) | (29.7) | 21.2 | (.5581) | (27.9) | 15.6 | (.6120) | (28.5) | 17.4 |
| December | (.6880) | (30.2) | 20.7 | (.5199) | (32.5) | 16.9 | (.5787) | (31.7) | 18.3 |
| Yearly Average | (.6496) | (32.1) | $20.85 | (.5575) | (29.5) | $16.45 | (.5898) | (30.4) | $17.93 |

AVERAGE ANNUAL EARNINGS

| | |
|---|---|
| Manufacturing Shop Employee | $1084.20 |
| Contract Shop Employee | 855.40 |

This Table contains data for Exhibit 19.

hour records with the Maryland Commissioner of Labor and Statistics office. The only use, therefore, to which Table 32 can be put is to indicate the general fact tha manufacturing shop employees work more man-hours, get paid more per hour, and receive more weekly wages than contract shop employees.

The average wage rates indicated in the Table referred to, are not to be taken as the average for the city, but for the union shops.

Baltimore Earnings:

The completed picture of the difference in man-hours, and the difference in wage rate per man-hour can be seen in Table 33 and Exhibit 19, which present a comparison of the average weekly earnings per employee in manufacturing shops and contract shops in Baltimore. In 1935, the average contract shop employee received $856, while the average manufacturing shop employee received $1,084, a difference of $228 per year, or stated differently, a contract shop employee could earn about 26% more during the year if he worked in a manufacturing shop. The trend in Maryland (and reflected in Baltimore) towards contract shops results therefore in the following significant conclusion: The two-thirds of the men's clothing employees in Baltimore who are in contract shops work less man-hours per year, receive less wages per man-hour, are paid less per week, than the other one-third of the men's clothing employees who are employed in the manufacturing shops in the city and state. In short the industry in Baltimore is overweighed with the most unstable elements.

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# CHAPTER 4

## Wages, Material, and Capital

# CHAPTER 4

## WAGES, MATERIAL, AND CAPITAL

### THE N.R.A.

The Men's Clothing Code of the N.R.A. as adopted on August 26, 1933, provided in Article II, for a minimum wage of 40 cents per hour for manufacturing employees[1] in the Northern area and 37 cents in the Southern area; for non-manufacturing employees[2] a minimum wage of $14 per week in the Northern section and $13 in the Southern section.

Employees working on single knee pants were to be paid at the rate of 37 cents per hour. All minimum wage for cutters was established at $1.00 per hour, and a minimum for off-pressers at 75 cents per hour. It was further provided that "the existing amounts by which wages in the higher-paid classes, up to classes of employees receiving $30 per week, exceed wages in the lowest paid substantial classes shall be maintained."

In Sub-section (4) of Article II it was provided that the Code Authority " may appoint a committee to supervise the execution of the foregoing provisions." The "Southern section" of the industry included Alabama, Arkansas, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Florida. The "Northern section" of the industry included all other states in the United States. (By some accident Florida was omitted from the code text.)

The above provisions of the Code respecting rates of pay were amended as follows: On December 15, 1933, by Executive Order, Article II of the Code was amended to allow the employment of learners for a period of three months after December 11, 1933, to be paid not less than 70 per

---

1. Includes contract shop employees.

2. Office employees, etc.

cent of the Code minimum wage. The proportion of such persons was not to exceed 5 per cent of the total employed in any one plant, and all exemptions were subject to review and denial by the Code Authority.

On December 18, 1933, the wage provision regarding workers on knee pants was deleted and a provision was substituted therefore providing a wage for such workers of 37 cents per hour in the Northern area, and 34 cents in the Southern area. On the same date, it was provided that employees working on wash suits of 100 per cent cotton content be paid 34 cents per hour in the Southern area, and 37 cents in the Northern area. The wage rates respecting cutters and off-pressers were similarly changed to provide a rate of $1.00 per hour and 75 cents per hour respectively in the Northern area as against 65 cents and 35 cents respectively in the Southern area.

Baltimore, being in the Northern section of the industry, came under the Northern rates of pay, a minimum rate of 40 cents per hour for manufacturing employees, with the exception of workers on knee-pants of which there are very few in Baltimore, and with the exception of cutters and off-pressers, who were to be paid $1.00 and 75 cents an hour respectively. To clearly understand the importance of the introduction of such wage rates into Baltimore, it is necessary to have some idea of the wage rate situation in Baltimore, and elsewhere, prior to the coming of the N.R.A. minimum wages.

WAGE RATES PRIOR TO N.R.A.

In a sample study made in 1932 by the U. S. Bureau of Labor Statistics[1] there can be found a detailed elaboration of wage rates in all the major centers manufacturing men's clothing. A study of Table

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[1] Wages and Hours of Labor in the Men's Clothing Industry, 1932 Bulletin 594.

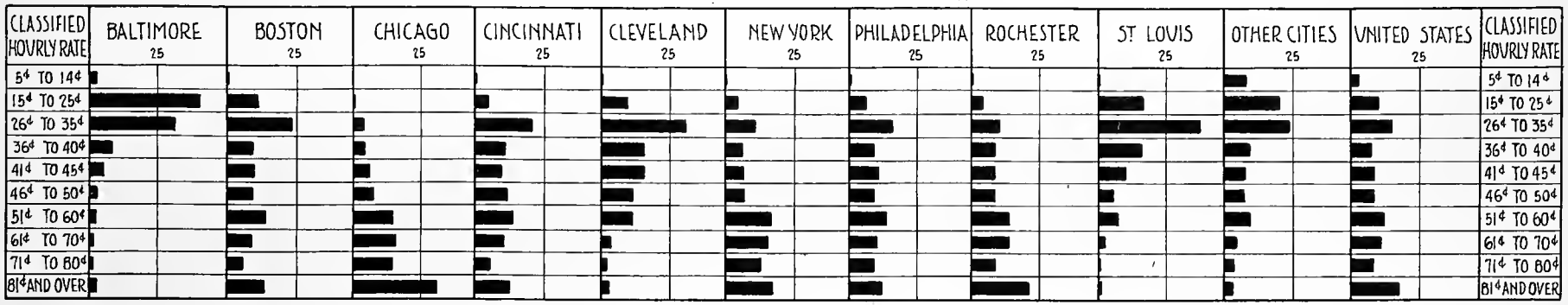
# EXHIBIT-20

# MEN'S CLOTHING INDUSTRY
# WAGES.

COMPARISON OF HOURLY WAGES PAID, BASED ON SAMPLE OF 25,782 EMPLOYEES BY CITIES - 1932.

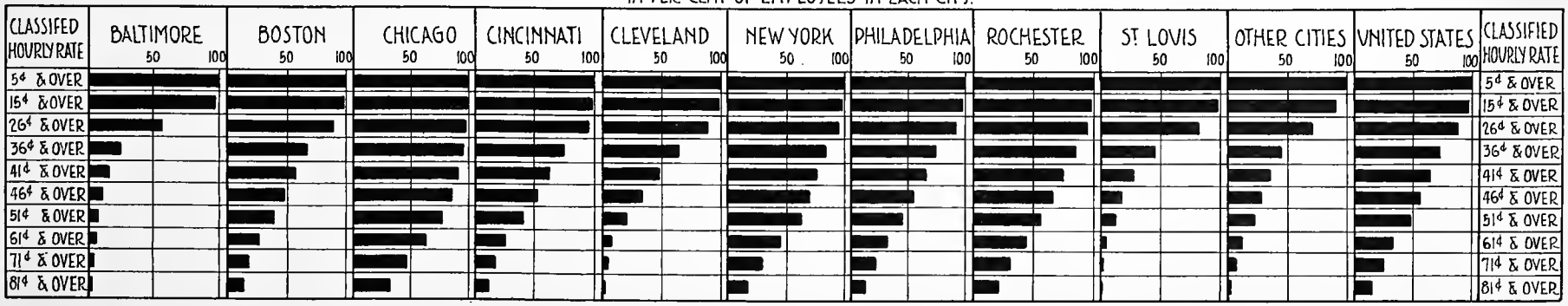
-NON CUMULATIVE-

IN PER CENT OF EMPLOYEES IN EACH CITY.




-CUMULATIVE-

IN PER CENT OF EMPLOYEES IN EACH CITY.




-SOURCE-

COMPUTED FROM DATA IN: WAGES AND HOURS OF LABOR IN THE MEN'S CLOTHING INDUSTRY: 1932
BULLETIN OF THE U.S. BUREAU OF LABOR STATISTICS No 594

NOTE: EXCLUDING WORK CLOTHING.

TABLE 34 This Table contains the data for Exhibit 20

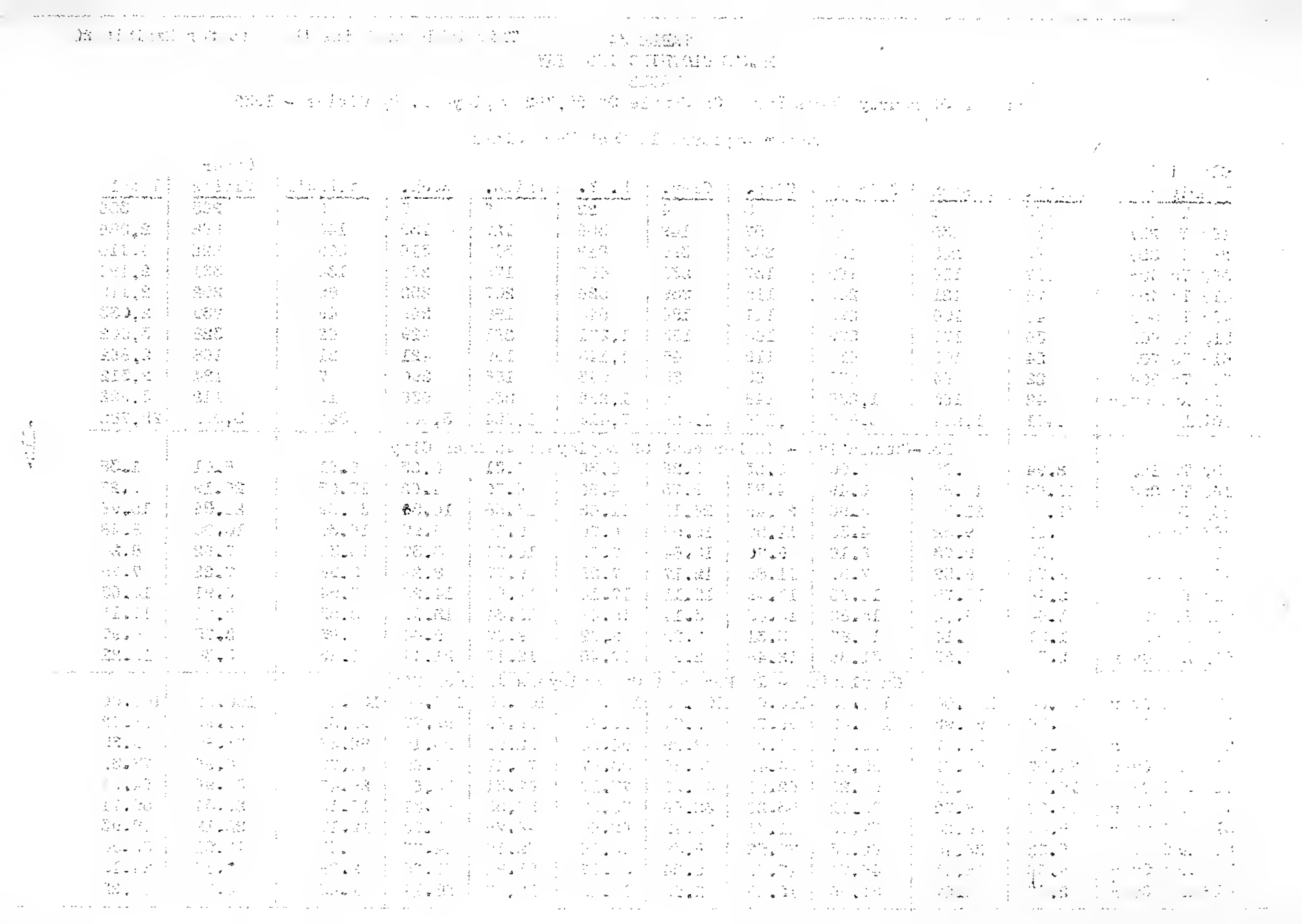
MEN'S CLOTHING INDUSTRY

WAGES

Comparison Of Hourly Wages Based On Sample Of 25,782 Employees, By Cities - 1932

Number Employed In Each Wage Class

| Classified Hourly Rate | Balto. | Boston | Chicago | Cinn. | Clev. | N. Y. | Phila. | Roch. | St.Louis | Other Cities | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 5¢ To 15¢ | 43 | 1 | 0 | 3 | 4 | 22 | 6 | 7 | 5 | 265 | 356 |
| 16¢ To 25¢ | 594 | 135 | 19 | 57 | 149 | 356 | 129 | 139 | 140 | 668 | 2,386 |
| 26¢ To 35¢ | 465 | 265 | 154 | 243 | 399 | 818 | 319 | 316 | 309 | 822 | 4,110 |
| 36¢ To 40¢ | 117 | 116 | 169 | 137 | 238 | 497 | 175 | 270 | 134 | 331 | 2,184 |
| 41¢ To 45¢ | 78 | 121 | 240 | 115 | 239 | 526 | 207 | 252 | 85 | 252 | 2,115 |
| 46¢ To 50¢ | 40 | 106 | 295 | 141 | 186 | 540 | 188 | 249 | 49 | 239 | 2,033 |
| 51¢ To 60¢ | 36 | 171 | 579 | 160 | 185 | 1,271 | 281 | 429 | 62 | 328 | 3,502 |
| 61¢ To 70¢ | 24 | 100 | 614 | 119 | 48 | 1,148 | 199 | 421 | 21 | 168 | 2,862 |
| 71¢ To 80¢ | 22 | 64 | 578 | 63 | 35 | 943 | 186 | 290 | 7 | 124 | 2,312 |
| 81¢ And Over | 42 | 165 | 1,238 | 148 | 45 | 1,292 | 234 | 636 | 10 | 112 | 3,922 |
| TOTAL | 1,461 | 1,244 | 3,886 | 1,186 | 1,528 | 7,413 | 1,924 | 3,009 | 822 | 3,309 | 25,782 |
| | Non-Cumulative - In Per cent Of Employees In Each City | | | | | | | | | | |
| 5¢ To 15¢ | 2.94 | 0.08 | 0.00 | 0.25 | 0.26 | 0.30 | 0.31 | 0.23 | 0.61 | 8.01 | 1.38 |
| 16¢ To 25¢ | 40.66 | 10.85 | 0.49 | 4.81 | 9.75 | 4.80 | 6.70 | 4.62 | 17.03 | 20.19 | 9.27 |
| 26¢ To 35¢ | 31.83 | 21.30 | 3.96 | 20.49 | 26.11 | 11.03 | 16.58 | 10.50 | 37.59 | 24.84 | 15.96 |
| 36¢ To 40¢ | 8.01 | 9.32 | 4.35 | 11.55 | 15.58 | 6.70 | 9.10 | 8.97 | 16.30 | 10.00 | 8.48 |
| 41¢ T 45¢ | 5.34 | 9.73 | 6.18 | 9.70 | 15.64 | 7.09 | 10.76 | 8.37 | 10.34 | 7.62 | 8.20 |
| 46¢ To 50¢ | 2.74 | 8.52 | 7.59 | 11.89 | 12.17 | 7.28 | 9.77 | 8.28 | 5.96 | 7.22 | 7.78 |
| 51¢ To 60¢ | 2.46 | 13.75 | 14.90 | 13.49 | 12.11 | 17.14 | 14.60 | 14.26 | 7.54 | 9.91 | 13.63 |
| 61¢ To 70¢ | 1.64 | 8.04 | 15.80 | 10.03 | 3.14 | 15.49 | 10.34 | 13.99 | 2.55 | 5.08 | 11.11 |
| 71¢ To 80¢ | 1.51 | 5.14 | 14.87 | 5.31 | 2.29 | 12.72 | 9.67 | 9.64 | .85 | 3.75 | 8.97 |
| 81¢ And Over | 2.87 | 13.27 | 31.86 | 12.48 | 2.95 | 17.45 | 12.17 | 21.14 | 1.23 | 3.38 | 15.22 |
| | Cumulative - In Per cent Of Employees In Each City | | | | | | | | | | |
| 5¢ And Over | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 16¢ And Over | 97.06 | 99.92 | 100.00 | 99.75 | 99.74 | 99.70 | 99.69 | 99.77 | 99.39 | 91.99 | 98.62 |
| 26¢ And Over | 56.40 | 89.07 | 99.51 | 94.94 | 88.99 | 94.90 | 92.99 | 95.15 | 82.36 | 71.80 | 89.35 |
| 36¢ And Over | 24.57 | 67.77 | 95.55 | 74.45 | 63.88 | 83.87 | 76.41 | 84.65 | 44.77 | 46.96 | 73.39 |
| 41¢ And Over | 16.56 | 58.45 | 91.20 | 62.90 | 48.30 | 77.17 | 67.31 | 75.68 | 28.47 | 36.96 | 64.91 |
| 46¢ And Over | 11.22 | 48.72 | 85.02 | 53.20 | 32.66 | 70.08 | 56.55 | 67.31 | 18.13 | 29.34 | 56.71 |
| 51¢ And Over | 8.48 | 40.20 | 77.43 | 41.31 | 20.49 | 62.80 | 46.78 | 57.03 | 12.17 | 22.12 | 48.93 |
| 61¢ And Over | 6.02 | 26.45 | 62.53 | 27.82 | 8.38 | 45.66 | 32.18 | 44.77 | 4.63 | 12.21 | 35.30 |
| 71¢ And Over | 4.38 | 18.41 | 46.73 | 17.79 | 5.24 | 30.17 | 21.84 | 30.78 | 2.08 | 7.13 | 24.19 |
| 81¢ And Over | 2.67 | 13.27 | 31.86 | 12.48 | 2.95 | 17.45 | 12.17 | 21.14 | 1.23 | 3.38 | 15.22 |



34 and Exhibit 20 indicates the cities covered and the classified wage-rates. An examination of this data indicates that 2.94% of Baltimore employees in the industry received "5¢ to 15¢" per hour, 40.66% received "16¢ to 25¢" per hour, 31.83% received "26¢ to 35¢" per hour, 8.01% received "36¢ to 40¢" per hour, and all the rest (16.56%) received above 40¢ an hour. In short, 83.44% of the employees in the industry in Baltimore, received a rate of pay that was lower than which came to be the minimum rate per hour under the N.R.A. While 83.44% of the Baltimore employees were receiving wage rates in 1932 lower than the (later) N.R.A. minimum rates, only 35.05% of the employees in the clothing industry in the United States were receiving 40¢ and less in 1932. Or, what is the same thing, the Baltimore men's clothing industry was paying 83.44% of its employees 40 cents and less per hour, while the United States men's clothing industry was paying 35.05% of its employees 40 cents and less per hour.

The average earnings per hour for a clothing employee in any one of the major centers, as indicated in the Bureau of Labor Statistics study in 1932, were as follows:

TABLE 35

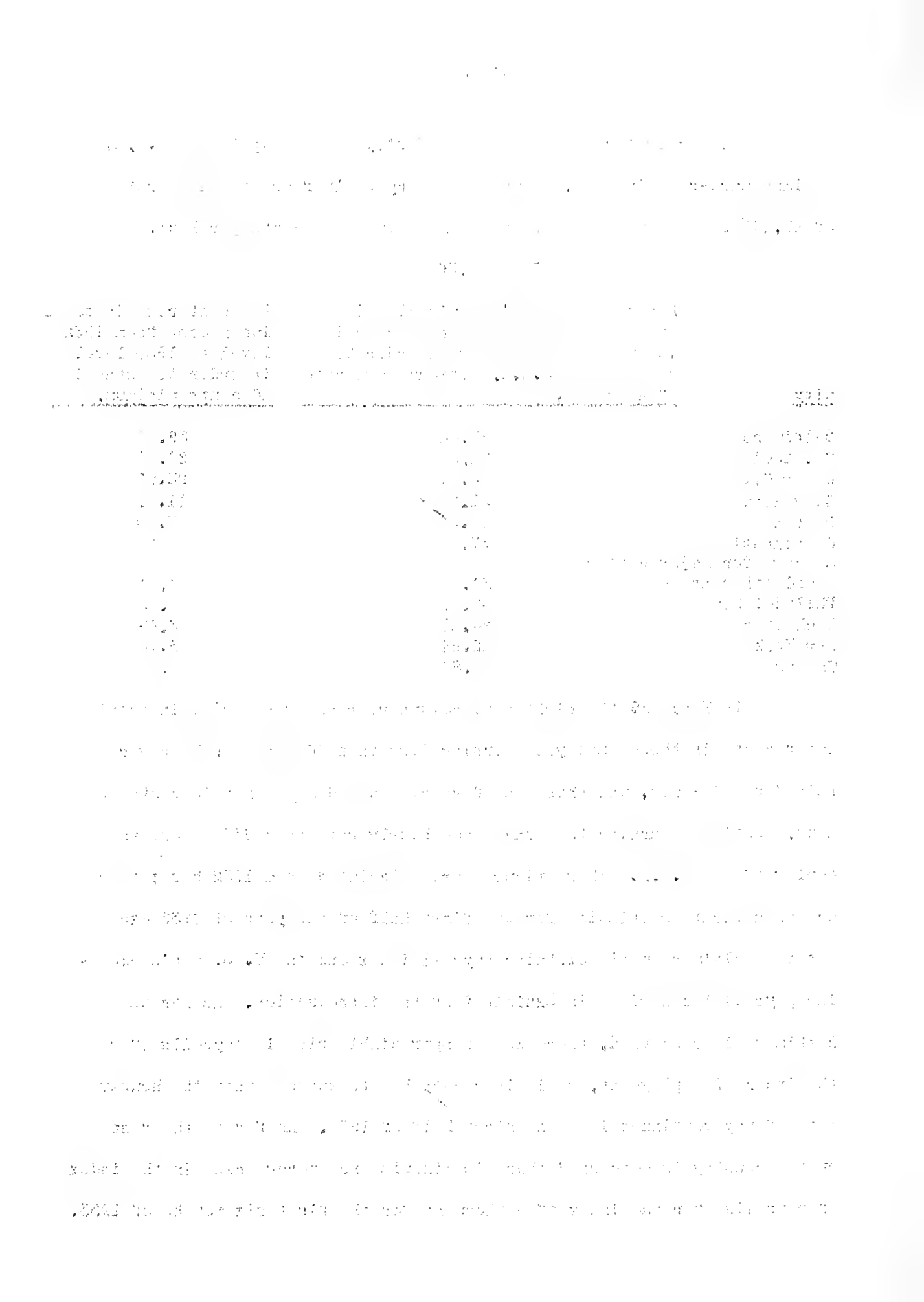
| City | Average Earnings per Hour. Cents |
|---|---|
| Baltimore | 29.5 |
| Boston | 48.0 |
| Chicago | 64.9 |
| Cincinnati | 48.6 |
| Cleveland | 41.0 |
| New York City | 58.3 |
| Philadelphia | 49.0 |
| Rochester | 54.6 |
| St. Louis | 34.9 |

In order for the Baltimore industry to come up to the N.R.A. minimum wage-rate in 1933, it was necessary to increase the wage-rates of 83.44% of its employees up to the minimum of 40 cents per hour.

TABLE . .36

| City | Per cent of City's men's clothing employees which would require raise in wage rate per hour in order to receive the N.R.A. minimum wage rate of 40 cents. | Per cent rise in total labor cost from 1932 level to 1933 level in order to establish 40 cents minimum. |
|---|---|---|
| Baltimore | 83.44 | 39.44 |
| St. Louis | 71.53 | 20.80 |
| Other Cities | 63.04 | 23.90 |
| Cleveland | 51.70 | 11.61 |
| Boston | 41.56 | 8.80 |
| Cincinnati | 37.10 | 6.26 |
| Average for major centers and other areas | 35.05 | 7.41 |
| Philadelphia | 32.69 | 6.05 |
| Rochester | 24.33 | 3.69 |
| New York | 22.84 | 3.74 |
| Chicago | 8.80 | .81 |

In Table 36 the right hand column represents the rise in total labor costs if those employees earning less than 40 cents an hour were raised to 40 cents, and those who formerly earned more than 40 cents an hour, continued earning the exact same hourly rate they did before the coming of the N.R.A. These figures are calculated on a 1932 base; there are no separate statistics for the first half of the year of 1933 except for the Baltimore men's clothing payroll index and the U. S. men's clothing payroll index given in Exhibit 2 of the introduction. As far as Baltimore is concerned, there was no appreciable rise in payrolls over the index of employment, so it is reasonable to suppose that the hourly rate of pay continued into the first half of 1933. As far as the rest of the country is concerned there is likewise no average rise in the index of payrolls over the index of employment for the first six months of 1933.

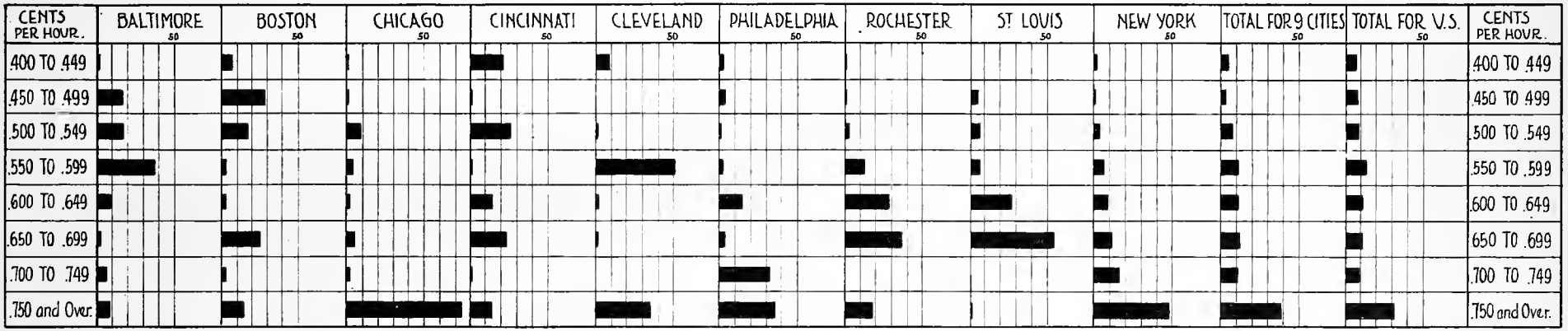


# EXHIBIT-21

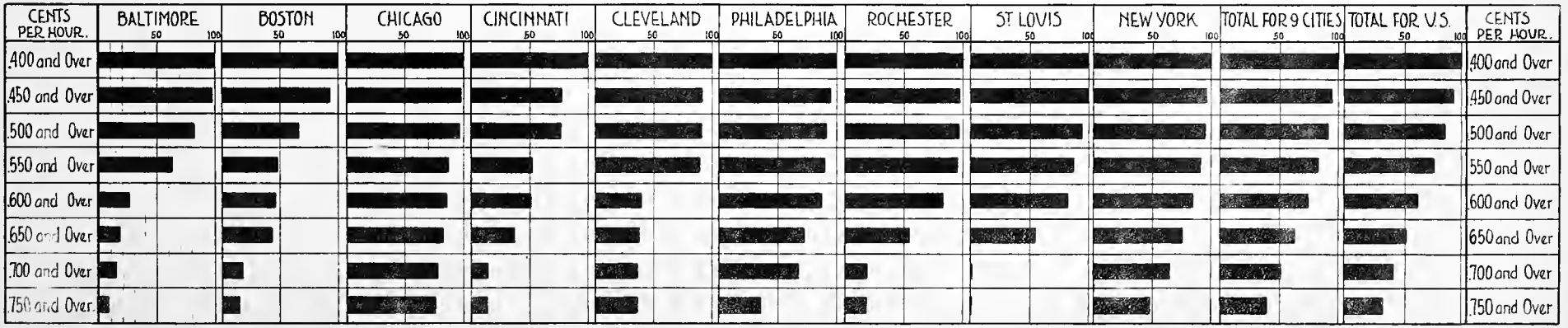
# MEN'S CLOTHING INDUSTRY
# WAGES.

COMPARISON OF HOURLY WAGES PAID, BASED ON SAMPLE OF 68,918 EMPLOYEES
BY CITIES 1934.

- NON CUMULATIVE -
IN PER CENT OF EMPLOYEES IN EACH CITY.




- CUMULATIVE -
IN PER CENT OF EMPLOYEES IN EACH CITY.




-SOURCE-
MEN'S CLOTHING CODE AUTHORITY N.R.A.

NOTE: EXCLUDING WORK CLOTHING.

TABLE 37

MEN'S CLOTHING INDUSTRY

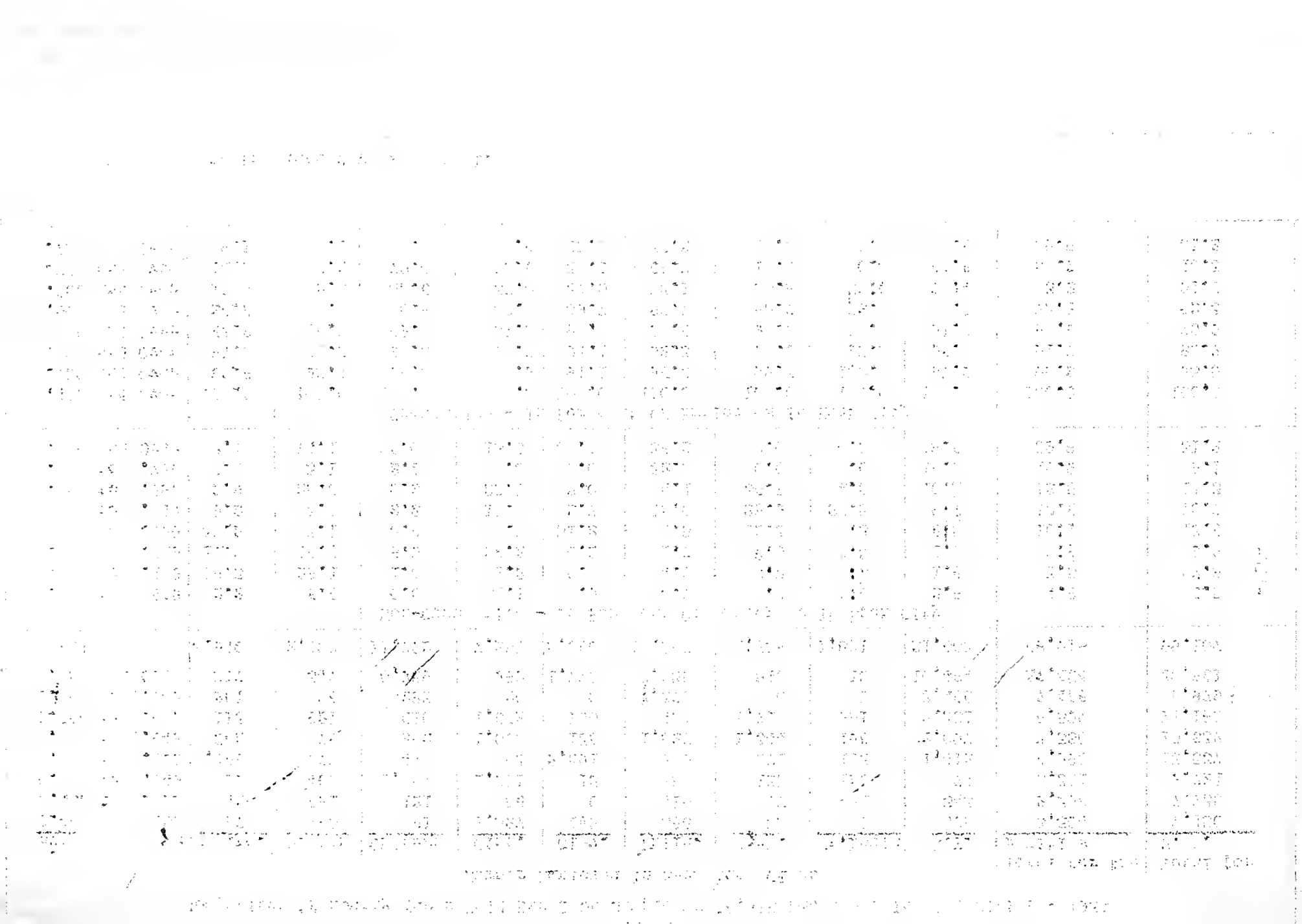
WAGES

Comparison Of Hourly Wages Paid Based On Sample Of 68,918 Employees In Nine Cities - 1934

Number Employed In Each Wage Class

| Rate (In Dollars) | Balto. | Boston | Chicago | Cinn. | Clev. | Phila. | Roch. | St.Louis | N.Y. | Total for the 9 Cities | Total for U. S. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 0.400 to 0.449 | 87 | 163 | 61 | 1,527 | 449 | 386 | 33 | 0 | 598 | 3,304 | 7,450 |
| 0.450 to 0.499 | 642 | 691 | 121 | 86 | 0 | 415 | 17 | 81 | 343 | 2,396 | 7,735 |
| 0.500 to 0.549 | 699 | 409 | 1,051 | 1,901 | 12 | 180 | 135 | 120 | 874 | 5,381 | 9,721 |
| 0.550 to 0.599 | 1,469 | 77 | 445 | 53 | 2,591 | 259 | 571 | 113 | 1,412 | 6,990 | 13,537 |
| 0.600 to 0.649 | 362 | 74 | 262 | 1,003 | 135 | 1,527 | 1,344 | 496 | 2,097 | 7,330 | 10,637 |
| 0.650 to 0.699 | 113 | 621 | 610 | 1,672 | 100 | 451 | 1,718 | 981 | 2,331 | 8,597 | 11,185 |
| 0.700 to 0.749 | 251 | 76 | 283 | 20 | 0 | 3,370 | 0 | 0 | 3,466 | 7,466 | 8,979 |
| 0.750 and Over | 317 | 347 | 8,959 | 989 | 1,773 | 3,735 | 840 | 10 | 10,484 | 27,454 | 30,861 |
| Total | 3,940 | 2,458 | 11,792 | 7,251 | 5,060 | 10,353 | 4,658 | 1,801 | 21,605 | 68,918 | 99,107 |
| | | | Non-Cumulative - In Per cent Of Employees In Each City | | | | | | | | |
| .400 to .449 | 2.2 | 6.6 | 0.5 | 21.1 | 8.9 | 3.7 | 0.7 | 0.0 | 2.8 | 4.8 | 6.5 |
| .450 to .499 | 16.3 | 28.1 | 1.0 | 1.2 | 0.0 | 4.0 | 0.4 | 4.5 | 1.6 | 3.5 | 7.8 |
| .500 to .549 | 17.7 | 16.6 | 8.9 | 26.2 | 0.2 | 1.7 | 2.9 | 6.7 | 4.0 | 7.8 | 9.8 |
| .550 to .599 | 37.2 | 3.1 | 3.8 | 0.7 | 51.2 | 2.5 | 12.3 | 6.3 | 6.5 | 10.1 | 13.6 |
| .600 to .649 | 9.2 | 3.1 | 2.2 | 13.8 | 2.7 | 15.0 | 28.9 | 27.5 | 9.7 | 10.6 | 10.7 |
| .650 to .699 | 2.9 | 25.3 | 5.2 | 23.1 | 2.0 | 4.4 | 36.8 | 54.5 | 10.8 | 12.5 | 11.3 |
| .700 to .749 | 6.4 | 3.1 | 2.4 | 0.3 | 0.0 | 32.5 | 0.0 | 0.0 | 16.0 | 10.9 | 9.1 |
| .750 and Over | 8.1 | 14.1 | 76.0 | 13.6 | 35.0 | 36.2 | 18.0 | 0.5 | 48.6 | 39.8 | 31.2 |
| | | | Cumulative - In Per cent Of Employees In Each City | | | | | | | | |
| .400 and Over | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| .450 and Over | 97.8 | 93.4 | 99.5 | 78.9 | 91.1 | 96.3 | 99.3 | 100.0 | 97.2 | 95.2 | 93.5 |
| .500 and Over | 81.5 | 65.3 | 98.5 | 77.7 | 91.1 | 92.3 | 98.9 | 95.5 | 95.6 | 91.7 | 85.7 |
| .550 and Over | 63.8 | 48.7 | 89.6 | 51.5 | 90.0 | 90.6 | 96.0 | 88.8 | 91.6 | 83.9 | 75.9 |
| .600 and Over | 26.6 | 45.6 | 85.8 | 50.8 | 39.7 | 88.1 | 83.7 | 82.5 | 85.1 | 73.8 | 62.3 |
| .650 and Over | 17.4 | 42.5 | 83.6 | 37.0 | 37.0 | 73.1 | 54.8 | 55.0 | 75.4 | 63.2 | 51.6 |
| .700 and Over | 14.5 | 17.2 | 78.4 | 13.9 | 35.0 | 68.7 | 18.0 | 0.5 | 64.6 | 50.7 | 40.3 |
| .750 and Over | 8.1 | 14.1 | 76.0 | 13.6 | 35.0 | 36.2 | 18.0 | 0.5 | 48.6 | 39.8 | 31.2 |

This Table contains the data for Exhibit 21.



It would not be unreasonable to believe that by and large, in Baltimore and throughout the country, the hourly rates that prevailed in 1932, also prevailed in the first half of 1933. It might with some justification be maintained that business was so bad up to the inauguration of President Roosevelt, and up through the bank holiday of March 1933, that wage-rates may even have fallen. But we shall assume that they remained the same.

It has been maintained by various Baltimore manufacturers that had Maryland been placed in the southern classification of the industry, the hardships entailed in the sudden rise of labor costs would have been greatly diminished. This objection overlooks the essential facts: if Maryland had been classified in the southern section, the minimum wage would have been 37 cents an hour. 79.1% of the Baltimore employees were earning less than that sum per hour, and the raising of the 79.1% of the employees to the 37 cents minimum would have entailed a rise of 39.1% in the total labor cost. The difference in total labor cost, therefore, if Maryland had been classed in the southern category instead of the northern category, would have been 3/10 of 1 per cent - a negligible quantity.

Towards the middle of March, 1935, the Men's Clothing Code Administration published a frequency table of the distribution of average hourly rates of pay for employees in the various clothing centers of the country. They are illustrated in Table 37 and in Exhibit 21. Table 38 indicates the average hourly earnings for 1934. Side by side with them are placed the 1932 average hourly earnings and the per cent rise from 1932 through 1934.

TABLE 38

| City | 1932 average hourly wage B.L.S. sample | Hourly wage, average for last six months of 1934 | Rise in labor cost |
|---|---|---|---|
| | Cents | Cents | Per cent |
| Baltimore | 29.5 | 56.2 | 90.5 |
| Boston | 48.0 | 71.3 | 48.5 |
| Chicago | 64.9 | 78.0 | 20.1 |
| Cincinnati | 48.6 | 65.3 | 34.3 |
| Cleveland | 41.0 | 70.5 | 71.9 |
| New York City | 58.3 | 75.2 | 28.9 |
| Philadelphia | 49.0 | 70.6 | 44.0 |
| Rochester | 54.6 | 67.0 | 22.7 |
| St. Louis | 34.9 | 62.1 | 77.9 |

The rise in labor cost indicated by the figures in the last column is certainly out of line with the advice of numerous competent manufacturers, contractors, and accountants associated with the industry. It is more likely that the rise in labor cost indicated in Table 36 was the case than the rise indicated in Table 38. The rise in Table 38 is predicated on the assumption that those employees earning less than 40¢ prior to the N.R.A. were raised to 40¢, and the others, by and large, still received the same rate of pay after the N.R.A. came in that they had been receiving prior to the N.R.A. The Baltimore rise in labor cost - assuming the rise indicated in Table 36 was the case - was quite high as compared with the rise in other centers. This rise was accompanied by a rise in the cost of materials and new drastic terms set by the mills.

TERMS GRANTED BY MILLS.

Woolens and worsteds were formerly bought by the clothing manufacturer on terms ranging from 30 days to 4 months. Usually seasonal datings were given with Spring bills coming due in April or May, and Fall bills in October or November. Cotton linings were purchased on a 10 day and 60 day basis. Under the codes, the discount on woolens was

withdrawn and terms fixed at 60 days net. As the cost of material represents approximately 50% of the selling price of a man's suit, it is obvious that the shortening of buying terms slows down the capital turnover and presents the manufacturer with the necessity of procuring longer and more continuous banking accomodation, or increasing his capital investment, which few have been able to do.

EFFECTS OF SELLING POLICY OF MILLS.

The new selling policy of woolen mills became an important factor in increasing the financial burdens of the clothing manufacturer. Whereas the mill formerly manufactured staples for stock and assumed a larger share of financing the merchandising cycle from raw material to consumer goods, with the incidence of the N.R.A., the mills put the raw wool in process only on orders from the piece goods buyers, - such as the clothing manufacturers, - which took six to eight weeks to fill.

With his commitment to the mills made well in advance of receipt of retailers' orders and the requirement of paying for this material in 60 days from delivery, the clothing manufacturer was obliged to increase his investment in inventory in order to show a full line of assorted styles and sizes to the retail buyer. In addition, under the N.R.A. maximum working hour regulations, the regulations forbidding overtime, the clothing manufacturer found it necessary to increase his payroll disbursements by starting cutting five or six weeks earlier than was necessary prior to the N.R.A. code which fixed a 36 hour maximum working week. The average period for the production of a suit from the cutting operation to the completion thereof increased from about two weeks to three weeks.

Prior to 1933, May ended the Spring operating season, which

commenced about January 15. During June and half of July there were no manufacturing operations at all. This month and a half represented the period during which liabilities were liquidated by funds collected from accounts receivable build up during the Spring operating season. With liabilities at the lowest point, Fall operations began about July 15, and continued until just prior to December 1st. December and the first half of January represented the second annual liquidation period.

With the coming of the N.R.A., the cutting of Fall merchandise commenced in the first week in June, - a month and a half earlier than before - and collections from accounts receivable, created by the Spring business, were used to finance Fall operations for merchandise, labor and expenses. The same process occurred with advancing the Spring cutting to January - a month earlier than heretofore - and for the larger manufacturer as early as October, about three months earlier than heretofore. This continuous operating process, with heavier inventories, resulted in a constant strain on capital and a renewal of bank loans - wherever possibde.

While the regular mill terms became net 60 days, with 1% discount allowed for payment within 10 days, the financial burdens of the average manufacturer were such that time for payment was more important than the discount. Only those who were in a fortunate position were able to take advantage of the discount privilege. In fact the concession made to a manufacturer of the highest financial standing was, and still is, an extra 60 days which are granted by the mills subject to payment of an interest charge at 6% per annum. Those happily in funds or with available lines of bank credit were able to earn 6% by anticipating payment within the regular 60 day terms.

Coupled with this load of increased labor cost, shortened mill terms, and maximum hour regulations for employees, there was also present the factor due predominately to the depression, viz., the practice by retailers of waiting until the season was fairly under way before placing the bulk of their orders. Because of the declining market, retailers were solely interested in getting the goods they wanted at the lowest possible price. By holding up their orders until the manufacturers became anxious they could secure their goods at lower prices. This practice destroyed the value of any cost calculations the manufacturer may have made due to the increased rise of labor and materials.

ANTICIPATION OF N.R.A.

In anticipation of effective date of codes, and expected rise in the price of raw materials, particularly woolens, in the Spring of 1933 there developed a scramble of manufacturers to cover their anticipated requirements for the Fall season. Those manufacturers with sufficient capital, or credit, in April placed substantial orders with the distributors of piece goods against the trend of rising wool costs and tied up an unusual amount of capital in inventory. The usual practice theretofore had been to buy fifty per cent of the estimated requirements in April for June and July delivery, and, subsequently, place fill-in orders as required. Those manufacturers, however, who in April, 1933, placed orders for woolens for one hundred per cent of their season's requirements for payment within sixty days, or sixty extra for those with larger capital, showed a satisfactory profit for the year 1933. This was due to the steadily rising price of woolens which enabled the manufacturer, thus covered, to reap the advantage of a larger mark-up. The advantage, however, was relatively short-lived, for it built substantial inventories

at the end of 1933 which in 1934 had to be sold at falling prices. During this period an advantage ultimately accurred to the manufacturer with limited capital who had been unable to acquire his full season's requirements at the lower cost of woolens. He had been compelled, per force, to buy in accordance with the former practice of making commitments in April not in excess of 50% of his requirements, and, as the season progressed, paid the higher prices for woolens required during the balance of the season. The result was that while he did not make as much money as his larger competitor in 1933, his mark-downs in 1934 were materially less. The small manufacturer who had stretched his credit to cover his total requirements in the Spring of 1933 lost money when the volume of sales fell off in the latter months of that year, for he had to slash prices to rid himself of excess inventory in order to avoid financial disaster. The manufacturer with more substantial capital was affected by the same conditions but was better able to absorb his losses through a carry-over of merchandise into 1934 and, with increasing demand, reduced his losses or showed a small profit in that year. Thus, generally speaking, the small manufacturer with a capital of $25,000 to $30,000, if careful in his purchases, made a little profit in 1933; the medium sized concern with a capital of $50,000 to $100,000, which covered merchandise requirements 100% in April, sustained a net loss for the year; while the larger concerns, with capital in excess of $100,000 were, with some exceptions, able to show a net profit at the year-end.

In considering 1933 operating figures, it should be kept in mind that the relatively favorable showing of high percentages of concerns reporting profits, however small, had these profits invested in year-end inventories, the losses on which were taken in 1934. The picture is

better visualized from a study of three years comparable results of 229 identical manufacturers whose year-end statements submitted to the National Credit Office are summarized in Table 39.

TABLE 39

Summary of Year-end Statements

| | 1932 | 1933 | 1934 |
|---|---|---|---|
| Net Worth-End of year, dollars | 14,026,270 | 15,089,441 | 15,645,815 |
| Number of Concerns | 229 | 229 | 229 |
| Net Profit, Total | 1,439,009(Loss) | 1,393,995 | 791,546 |
| Per cent Rate of Return on Investment | 10.3 (Loss) | 9.2 | 5.1 |
| Per cent of Profit on Sales | 3.5 (Loss) | 2.7 | 1.3 |
| Per cent of Concerns showing profit | 37.6 | 90.4 | 78.2 |
| Per cent of Concerns showing Loss | 62.4 | 9.6 | 21.8 |

As far as Baltimore was concerned, there was very little anticipation of the N.R.A. amongst manufacturers. A few manufacturers in 1933 loaded themselves up with their total material requirements, but rest of the Baltimore manufacturers ordered their usual quota of woolens and no more. This may have been due either to foresight or lack of capital. But there is no reason to believe that the Baltimore manufacturer had any more foresight than manufacturers elsewhere, and knowing what we do of the average Baltimore capital it is probably that most manufacturers in Baltimore found their capital inadequate to permit them to order any more woolens than they would ordinarily order. As a result we find that the net return on investment to the Baltimore manufacturer in 1934 decreased very slightly from the net return in 1933, while everywhere else in the

country there was a great falling off. This was due to the fact that a good part of the net return to manufacturers in 1933 was part of inventory, and a great loss was taken on such inventories in 1934. The Baltimore manufacturer, having little capital, could not pile up much of an inventory in 1933, and as a result, took little loss on such inventory in 1934. The following table illustrates the fall off in net return on investment in Baltimore and elsewhere through the country.

TABLE 40

Net Return on Investment [1]

| City | Number of Firms Reporting | Per cent | |
|---|---|---|---|
| | | 1933 | 1934 |
| Cincinnati | 5 | 16.2 | 10.2 |
| Baltimore | 12 | 8.5 | 8.4 |
| All Others (outside of cities listed) | 35 | 8.0 | 6.4 |
| Philadelphia | 21 | 5.5 | 5.5 |
| Buffalo | 9 | 10.7 | 5.4 |
| United States | 229 | 9.2 | 5.1 |
| New York City | 130 | 9.8 | 4.1 |
| Boston | 9 | 5.1 | 1.7 |
| Chicago | 8 | 11.9 | 1.3 |

WORKING CAPITAL.

An analysis of end-of-the-season statements submitted by 126 manufacturers for 1931, 167 for 1932, and 238 for 1933, indicated a three year average ratio of 56.6% of the working capital represented by inventory, with 72% at the end of 1933. [2]

The working capital problem may be epitomized thus: Prior to 1933, at the peak of the two seasons, total indebtedness averaged two

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1 National Credit Office, Inc.

2 Source: "Behind the Scenes of Business", Roy A. Foulke, Manager, Analytical Report Department, Dun and Bradstreet, Inc., pp. 144-145.

to three times working capital, and dropped in June and December substantially to an offset of one for one. With the N.R.A. in full swing, liabilities ranged three to six times working capital for the average clothing manufacturer, with no indication under then existing conditions that these ratios could be reduced.

Under the N.R.A. conditions it is conservative to say there had been an increase over former periods of at least one-third of the average manufacturer's working capital constantly tied up in inventory, subject to the vagaries of mark-downs due to competitive conditions or declining prices in woolens. In brief, he required no less than one-third additional capital in 1934 and 1935 to do the same volume of business as formerly, and operating results during recent years had not made that needed increase in capital available.

We have seen in Table 29 the capital (or net worth) of the average manufacturer in Baltimore and elsewhere. As we have seen, the N.R.A. with its heightened labor cost, new mill terms, regulations concerning maximum hours and over-time, placed an additional burden upon the capital of the manufacturer. While this burden was probably heightened in Baltimore due to the small capital of the average manufacturer as indicated in the National Credit Office sample, and due to the great rise in labor cost in Baltimore as compared with the labor rise elsewhere, (indicated in Table 30) nevertheless the Baltimore manufacturer - (as has been pointed out) - had most of his capital in a fairly liquid shape. The latter fact was due to the great number of contract shops in Baltimore prior to the coming of the N.R.A. This indicated that many Baltimore manufacturing establishments used contract shops almost to the exclusion of anything else. As a result of the liquid character of the Baltimore

capital, the net sales of the average Baltimore manufacturer in 1934 was 27.4% higher than his net sales in 1933, while the national rise in net sales in the 229 firms covered by the National Credit Office, Inc., was only 20.9% over 1933. The only city that enjoyed a percentage increase in net sales in 1934 greater than Baltimore, was Cincinnati. In Cincinnati the increase in net sales in 1934 over 1933 was 35.2%. This is due in the main to the character of the Cincinnati producing area. As has been pointed out, the Cincinnati market sells to a great extent by a direct-to-the-consumer method.

By and large, the Baltimore manufacturer went through the N.R.A. period with less disturbance than the industry in general and made considerable profits.

# CHAPTER 5

## Production, Productivity, and Migration

## CHAPTER 5

## PRODUCTION, PRODUCTIVITY, AND MIGRATION.

The men's dress clothing industry, manufactures suits, wholly or partly of wool; trousers, wholly or partly of wool; overcoats and odd coats; and suits of cotton, mohair and linen.

In terms of the industry, certain classifications are referred to, which subdivide the clothing production into definite categories. In suits, the coat -- or jacket as the layman refers to it -- may be one of three types: the No. 1 , No. 2, or No. 3 coat.

The No. 1 coat is known as an unbasted, closed coat, with virtually all the work done by machine. A suit, with a No. 1 coat (jacket) retails from about $8.00 to $13.00 depending on the quality of the material.

The No. 2 coat is known as a semi-basted, closed coat, with a sandwich collar. Most of the work is done by machine with the exception of the collar which is entirely hand tailored. A suit with a No. 2 coat retails from about $15.00 to $20.00 or possibly somewhat more, depending on the quality of the material.

The No. 3 coat is known as a full basted, open coat. Virtually all the work is done by hand -- e.g., hand shoulder, collar, button-holes, and hand felled sleeves. The suit with a No. 3 coat retails from about $20.00 up, depending on the quality of material.

When the union came to Baltimore in September 1931, it found that most of the suits and overcoats made in the Baltimore market were No. 3 coats, with some No. 2 coats, and a few No. 1 coats. The union immediately placed restrictions on all coats manufactured in the

Baltimore market, other than the No. 3 coats. The union argument was to the effect that the employees in the New York City, Philadelphia, and Chicago markets, were trained to turn out No. 1 and No. 2 coats and the Baltimore employees were not. The union also claimed that no shops in Baltimore were technically equipped to turn out anything but a No. 3 coat.

In any case, the production of anything but No. 3 coats was stopped in all Baltimore shops which the union could control. The elimination of such other, and cheaper, varieties of clothing turned out to be harmful to the Baltimore market, since a declining market demands a variety of types of clothing, as cheap as possible. The fallacy of the argument that no Baltimore shops were equipped with the particular type of machinery necessary to turn out No. 1 and No. 2 coats became more evident as the depression deepened. More and more manufacturers pleaded to be given an opportunity to install whatever machinery was deemed necessary for the production of such coats. The union was adamant however, until the Fall of 1935 when it acquiesced to the demands of the Manufacturers' Association and permitted the manufacture of No. 2 coats.

From the union point of view, the exclusion of No. 1 and No. 2 coats was an important matter, but the belief that such types of coats should be excluded was not entirely based on the lack of correct machinery in the Baltimore market. For if the lack of machinery were the sole reason for the seemingly arbitrary exclusions, the union should have welcomed the increasing desire of the manufacturers to install whatever machinery was necessary, and to vary the types of clothing manufactured here, in order not to be dependent on one type of product.

The union reasons for the exclusion of the No. 1 and No. 2

coats appeared to be two:

(1) Approximately 60% to 75% of the Baltimore garments are made in contract shops. If No. 1 and No. 2 coats were permitted they would entail cheaper piece rates for the employees (although more per hour). The administrative task of keeping track of a large range of piece-rate prices spread among so many small (contract shop) units, would be tremendous. And not only would the administrative task become a very complicated matter, but the mere fact that so many different piece rates were permitted among so many small units, would leave the door open to "chiseling" on the part of some employers. The "chiseling" would take the form of lower piece rates for higher grade work. By restricting production to No. 3 coats, the piece rates would be identical throughout all the union shops. From the union point of view, this was a very important argument, although never stated in precisely the form given here.

(2) The second reason was the fear of the general influence of the Baltimore market. From the union point of view, it was most essential to keep the union shops in New York City and Philadelphia from being undermined by Baltimore competition. Since the Baltimore manufacturers paid comparatively low wages, paid comparatively low rent, it might be the case that the Baltimore market, if allowed unlimited production, would undermine some of the strong New York City and Philadelphia union shops.

In the light of these two considerations, it is not difficult to understand why the union fought strongly to exclude all No. 1 and No. 2 coats from the Baltimore market.

As has already been indicated, the Manufacturers' Association,

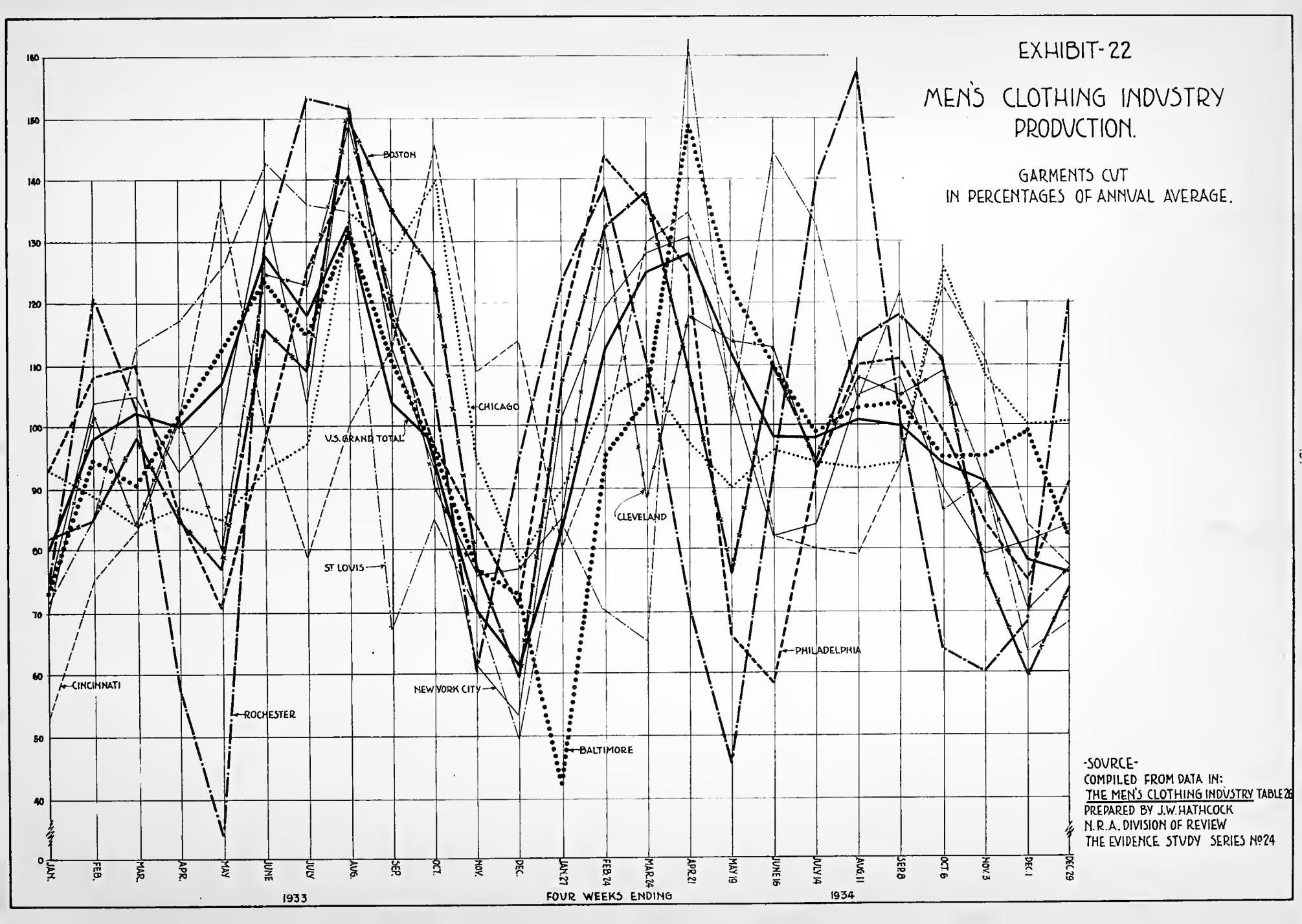


EXHIBIT-22
MEN'S CLOTHING INDUSTRY
PRODUCTION.
GARMENTS CUT
IN PERCENTAGES OF ANNUAL AVERAGE.
BOSTON
CHICAGO
U.S. GRAND TOTAL
ST LOUIS
CLEVELAND
PHILADELPHIA
CINCINNATI
NEW YORK CITY
ROCHESTER
BALTIMORE
160
150
140
130
120
110
100
90
80
70
60
50
40
0
JAN.
FEB.
MAR.
APR.
MAY
JUNE
JULY
AUG.
SEP.
OCT.
NOV.
DEC.
JAN.27
FEB.24
MAR.24
APR.21
MAY 19
JUNE 16
JULY 14
AUG. 11
SEP. 8
OCT. 6
NOV. 3
DEC. 1
DEC. 29
1933
FOUR WEEKS ENDING
1934
-SOURCE-
COMPILED FROM DATA IN:
THE MEN'S CLOTHING INDUSTRY TABLE 26
PREPARED BY J.W. HATHCOCK
N.R.A. DIVISION OF REVIEW
THE EVIDENCE STUDY SERIES No 24

in the Fall of 1935, finally was granted permission to manufacture a No. 2 coat. At the present time about 25% of the Baltimore production is of that type; no No. 1 coats however, are manufactured in the union shops in Baltimore.

In Exhibit 22 there is presented graphically the seasonality of the Men's Clothing Industry. This exhibit covers the garments cut in all the major cities and the U. S. for two years, 1933 and 1934. The Men's Clothing Industry evidently enjoys two seasons, from January to April and from June to October. From eight to nine months of the year the clothing manufacturer is extremely busy; from three to four months he is comparatively idle. The range of the seasonal peaks and troughs vary from city to city as can be ascertained from the exhibit. Unfortunately there seems to be no pattern or synchronism discernible in this exhibit outside of the general seasonal variation. In the cases of the Cincinnati and the Chicago curves it will be found that these two cities seem to cut their garments a trifle later than other cities. This is due to the fact that -- as has been pointed out -- many of the Cincinnati producers sell directly to the consumer --e.g., door-to-door methods, and as a result those Cincinnati manufacturers cut their garments later than others who must sell them to merchants before the retail selling season begins. The Chicago area displays the same characteristics although not for the same reason as Cincinnati. In Chicago a few of the largest firms had financial interests tied up in retail establishments. As a result their production is later than the production of other manufacturers who produce for independent retailers. Retailers demand pre-season showings from several manufacturers before they determine what they will purchase.

XXXXXXXXXXXXXXX

Garments Per Man-Hour.

Exact statistics on production and man-hours have been gathered for the first time in the history of the clothing industry under the authority of one agency. Heretofore production schedules of manufacturers were filed with the Bureau of the Census, and man-hour data of manufacturers were filed with the Bureau of Labor Statistics. This presented several difficulties: First, there was no method of correlating the production data of one bureau with the man-hour data of another bureau, since there was no way of telling whether or not identical firms reported to both bureaus or whether some group of firms reported to one bureau and another group of firms reported to the other bureau. Second, the law forbids the Bureau of the Census to disclose the names of any manufacturers which report to it and this includes the prohibition of reporting the names of manufacturers to other government bureaus even confidentially. This restriction, therefore, has prevented the Bureau of the Census from furnishing names of manufacturers to the Bureau of Labor Statistics in order that production data and man-hour data may be correlated.

Under the N.R.A. manufacturers had to file production schedules every four weeks and man-hour schedules every four weeks. The former of these schedules went to the Bureau of the Census, Division of Special Tabulation where it was published with the cooperation of the N.R.A. authorities. The latter information went to the Bureau of Labor Statistics where it was published with the cooperation of the N.R.A. authorities. Since the data published by these two bureaus through the cooperation of the N.R.A. covered identical firms it is possible for the first time to use both data together. The period for which this compiled data was most complete and therefore less questionable from our point of view was

the last six months of 1934, the period beginning July 14 and ending December 29, 1934. With this period we shall be mainly concerned.

While we have production data for the years 1933 and 1934, there are no man-hour data for this whole period, but we do have very exact production data and the man-hour data for the period ranging from July 14, 1934 to December 29, 1934.

TABLE 41

MEN'S CLOTHING INDUSTRY

GARMENTS PER MAN-HOUR

| | | | | |
|---|---|---|---|---|
| New York | 4,442,832 | Garments | | |
| | 24 | Weeks | = | .2411 |
| | 767,749 | Man-hrs. per week | | |
| Chicago | 837,737 | Garments | | |
| | 24 | Weeks | = | .0885 |
| | 394,218 | Man-hrs. per week | | |
| Baltimore | 1,232,844 | Garments | | |
| | 24 | Weeks | = | .2640 |
| | 194,613 | Man-hrs. per week | | |
| Philadelphia | 982,710 | Garments | | |
| | 24 | Weeks | = | .1388 |
| | 276,889 | Man-hrs. per week | | |
| Cincinnati | 488,522 | Garments | | |
| | 24 | Weeks | = | .1205 |
| | 168,885 | Man-hrs. per week | | |
| Rochester | 320,994 | Garments | | |
| | 24 | Weeks | = | .0648 |
| | 206,341 | Man-hrs. per week | | |
| St. Louis | 368,510 | Garments | | |
| | 24 | Weeks | = | .3249 |
| | 47,862 | Man-hrs. per week | | |
| Cleveland | 772,642 | Garments | | |
| | 24 | Weeks | = | .2112 |
| | 152,460 | Man-hrs. per week | | |
| Boston | 348,452 | Garments | | |
| | 24 | Weeks | = | .2238 |
| | 64,871 | Man-hrs. per week | | |
| 9 Cities | 9,735,243 | Garments | | |
| | 24 | Weeks | = | .1784 |
| | 2,273,326 | Man-hrs, per week | | |
| United States | 14,785,365 | Garments | | |
| | 24 | Weeks | = | .1840 |
| | 3,348,945 | Man-hrs. per week | | |
| Other Cities | 5,050,122 | Garments | | |
| | 24 | Weeks | = | .1956 |
| | 1,075,654 | Man-hrs. per week | | |

TABLE 42

MEN'S CLOTHING INDUSTRY

NINE CITIES

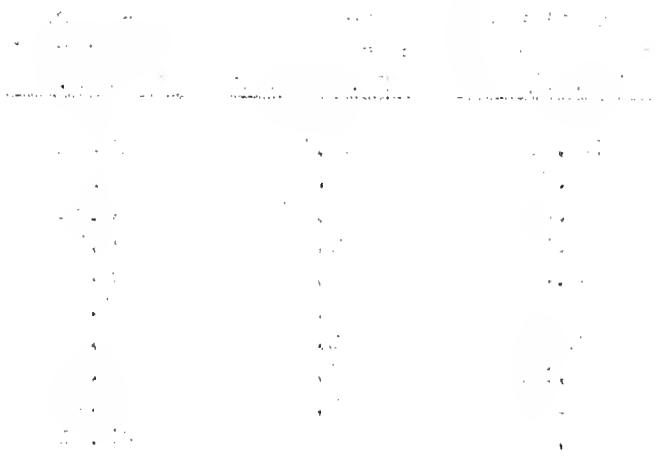
(AVERAGE)
From July 14 to December 29, 1934

| | Garments Cut Per cent of 9 Cities | Garments Cut as per cent of U. S. | Man-hours Per cent of 9 Cities | Man-hours as per cent of U. S. |
|---|---|---|---|---|
| New York | 45.63 | 30.05 | 33.77 | 22.92 |
| Chicago | 8.61 | 5.67 | 17.34 | 11.77 |
| Baltimore | 12.66 | 8.34 | 8.56 | 5.81 |
| Philadelphia | 9.47 | 6.24 | 12.18 | 8.27 |
| Cincinnati | 5.02 | 3.30 | 7.43 | 5.04 |
| Rochester | 3.30 | 2.17 | 9.08 | 6.17 |
| St. Louis | 3.79 | 2.49 | 2.08 | 1.41 |
| Cleveland | 7.94 | 5.22 | 6.71 | 4.55 |
| Boston | 3.58 | 2.36 | 2.85 | 1.94 |
| All Other Cities | | 34.16 | | 32.12 |

By the computations indicated in Table 40, the number of garments per man-hour in each of the major cities, total of nine cities, Other Cities, and the U. S. are given. Table 41 has been compiled from data in Table 40. "Garments per man-hour" presented in Table 40 has a very wide connotation however.

First, there is no strict definition of the term "garment". As a result the term "garment" may denote in St. Louis a pair of trousers part cotton and part wool, in Rochester a hand tailored sport coat, in Baltimore a cheap grade suit, etc. In other words, the term "garment" refers to no common quantitative unit, strictly defined, and carefully measured.

Second, Table 40 really refers to "garments cut". Garments however may be "cut" in New York City and finished in Port Jervis, Newark, Philadelphia, Trenton, Baltimore, or some other city, town or hamlet.



The N.R.A. found the job of keeping track of such cut-in-one-city-and-finished-in-another "garments" too great an administrative task. If the code had lasted a few more years, the code authorities might have worked out some administrative procedure of collecting exact data on such practices.

Third, "...per man-hour" is a misused and incorrect label in the case of the clothing industry in general, and the men's clothing industry in particular. Employees coming to work, may find four or five hours work in the shop. They are not however, sent home for the rest of the day, but remain there, usually playing card games to pass the time. They remain there because of the possibility of more work coming into the shop that afternoon. Many employers, in filing man-hour reports, rarely bother with deducting such few hours of card-playing from the weekly hour-sheet. Since most employees are paid piece-rates, it makes no difference to the employer as to how many hours the employees sit around the shop. As a result, man-hour computations for the clothing industry are unreliable.

Fourth, even if the term "garment" were strictly defined and could be used as a common unit of measurement, and even if the man-hour data were reliable, it would still be necessary in any exact study of productivity in the industry, to know many details concerning the particular kinds of machinery used in the various cities, their obsolescense, structure, and other relevant data. No reliable study has ever been made on this phase of the industry. It will be of interest at this point to indicate that the U. S. Bureau of Labor Statistics has at last seen the need for a detailed study of productivity in the clothing

industries, and will shortly send engineers, economists, and other necessary people into various clothing plants in each of the major cities, to lay the ground work for such a study.

When this national study will have been completed -- in about a year or two -- the details of men's clothing productivity in the various cities, lacking in this chapter, will then be available. It would be foolish to attempt to anticipate a national study upon the basis of the inadequate and limited N.R.A. data.

In the light of the four considerations advanced above, it can be seen that the title of Table 40, "Garments, Per Man-Hour", is a misnomer. However, the table is valuable in one respect. An examination of the table reveals a very curious fact. The last three items in that table are as follows:

| | Garments per Man-Hour |
|---|---|
| 9 Cities | 0.1784 |
| United States | 0.1840 |
| Other Cities | 0.1956 |

The "9 Cities" referred to are the major centers of production which cut about two-thirds of the total national production, while the "Other Cities" referred to are the minor centers, the small towns and hamlets, which cut slightly more than 33% of the total national production. If the data upon which the figures of "Garments per Man-Hour" above are based, were accurate and reliable, it would lead to the startling conclusion that the major centers of clothing production utilizing highly skilled labor and probably the best types of machines, were inefficient as compared with the shops in small towns, utilizing semi-skilled labor, and probably not the very best machinery.

This last conclusion, however, cannot be entirely ignored, in spite of the inaccuracy and unreliability of the data. While the data would seem to be fairly useless when broken down for particular cities, it might conceivably be maintained that the errors creeping into the reports of particular cities compensate each other when the figures are applied to the entire country, to nine major cities, or to a combination of all the minor centers. Under the circumstances, we might disregard the small differences between the "Garment per Man-Hour" figures for the "9 Cities", the United States, and for the "Other Cities", and assume that the table reads as follows:

| | Garments per Man-Hour |
|---|---|
| 9 Cities | 0.1840 |
| United States | 0.1840 |
| Other Cities | 0.1840 |

Even with the table reading as it does immediately above, it is still startling. Either it indicates that the factor of machinery in the clothing industry is overestimated, or that the usefulness of highly paid, skilled labor is exaggerated, or that the major centers manufacture hand-tailored clothing to the practical exclusion of almost everything else, and the minor centers manufacture almost nothing but very cheap, machine made garments.

The first of these alternatives, i.e., the importance of machinery, cannot be determined until the Bureau of Labor Statistics study, referred to above, is completed. It may be the case, however, and probably is the case, that the migration in the clothing industry -- referred to earlier in the report -- financed as it is by large manufacturers, also involves the installation of first rate machinery. Unfortunately, the data upon which the "Garment per Man-Hour" figures are based, only cover a 24 week period; as a result there are no trends which might be studied in order

to determine roughly whether there has been any rise in the figures of "garments per man-hour" for the "Other Cities". Some of the clothing factories in the rural communities have first rate machinery, and most efficient operation in these factories. The work is broken down into minute units which can be quickly learned by unskilled employees. However, nothing very definite can be said on the first of these alternatives.

The second of these alternatives dealing with the importance of highly-paid, skilled labor, probably goes hand in hand with the third, i.e., the type of garment manufactured. Such centers as Rochester and Chicago -- as has been indicated -- manufacture almost exclusively, nothing but the finest grade of hand-tailored garments. But the other major centers vary considerably in the percentage that the expensive hand-tailored garments are of the total production. On the other hand, the minor centers devote a good part of their production - but by no means all of it - to cheaper, machine made garments. No exact data on this have ever been gathered, except possibly to indicate the breakdown between cotton and woolen garments. However, the distinction between cotton and woolen garments is not entirely identical with the distinction between entirely hand tailored, partly hand tailored, machine made garments and other variations. The Bureau of Labor Statistics study may throw some light on this, and other related problems.

In concluding this short section it might be well to indicate that the last short table, showing that the "Garments per man-hour" figures for the "9 Cities" the United States and "Other Cities" are all identical, cannot be wholly disregarded in spite of the lack of explanation or failure to lay bare the causes.

If the "Garments per man-hour" data have any validity at all -- and only future studies will indicate whether the inadequate data dis-

closed a fact of basic importance -- then we may see a greater migration away from the major centers than we have seen heretofore. Not only do the minor centers offer the incentives of cheaper labor, less possibility of collective bargaining, less rent, less taxes, but they also offer -- if the data may be trusted -- a rate of production that is on the average equal to the rate in the major centers. Firms with large capitalization, not manufacturing the finest hand-tailored clothing, may find it worth their while to move their plant to the minor centers, without waiting for a stimulus akin to the N.R.A. However, such movement need not be immediately anticipated because of the rising market for consumers goods. When business is good, the drive to save anything possible on every item of cost, is not as prevelent as it is in a declining market, when prices fall radically, and competition mounts in inverse proportion to the drop in prices.

Migration in the Industry.

A great deal has been said and written concerning the problem of migration of clothing establishments.

One of the most important reasons for such migration is of course, wage differentials. How large the differential may be between the chief urban center and the outlying rural communities, has been shown in Chapter 2. On the whole however, one thing fairly definite may be said of such wage differentials: by themselves they never constitute the most important reason for such migration. What is involved is more than the saving in direct labor cost.

It must not be overlooked that when a manufacturer decides to close one plant in an urban community and open another in a rural community, he has no immediate guarantee of any savings whatsoever. His

immediate prospects are higher direct labor cost, because of inefficiency; and higher costs for material, because of spoilage by inefficient labor. His labor supply is by no means assured, and when he does gather his labor force, he discovers that the labor turnover -- due mainly to "quits"-- in the rural community is higher than his labor turnover in the urban center which he has left, which means still more money spent in training new employees. Every manufacturer that moves his plant to a rural community, knows all these facts beforehand.

What has been discovered in Baltimore, New York City, Newark, Trenton, and other centers, is that the most important consideration which in the final analysis clinches the matter for the manufacturer, is a fear of unionization. If the manufacturer is independent enough, if he absolutely refuses to have anything whatsoever to do with collective bargaining, and if he can afford to risk his capital in a rural community, he will move.

When unions first enter a plant, there is no great rise of direct labor cost. What manufacturers hate is the feeling that even in their own plants they must consult the shop chairman -- the employee who represents the union and all the employees in the shop -- before any new work is brought into the shop. The shop chairman must agree on the piece rates, on the division of work, on the method, and other such important matters. The manufacturer who prefers independence to such dictation, will move, regardless of the fact that when he does so, he knows that the whole business of moving to a rural community is a risky matter.

Not only is it risky from the point of view of losing money while employees are trained -- which means for a period of a year or two -- but there is also the risk involved of getting any employees at all.

The migration that has taken place during the depression was in the long run dependent on the lack of purchasing power of the farmers in rural communities. If the prices of wheat, cotton, tobacco, vegetables, and other such farm commodities, fall radically -- as they did since 1929 -- the members of the farmer's family go to the nearest town to seek employment. If however, the prices of farm commodities rise, as they have been doing for the past two years, the labor supply available to the rural manufacturer is cut down considerably. While most manufacturers who move to rural communities do not consider this possibility, it is an important factor in considering migration. Most manufacturers do not consider this factor for the simple reason that at the time they migrate, some minor or major depression is in force and the available labor supply -- untrained -- is quite high.

Migration has only become a problem since 1930, when the declining market pinched the manufacturer on both sides -- a fall in demand, and a rise in the per cent of the cost of production that direct labor absorbs. The latter is due to a stationary union wage rate, in spite of the decrease of cost of material, rent, etc. Those manufacturers who did not worry about union wage rates, were frightened by the union threats to organize their plants. But before they migrated -- if they did -- a great deal of time was spent in seeking communities which would offer a labor supply sufficiently large to give them a working force, and a reserve from which employees may be drawn in case of "quits" on the part of the trained employees.

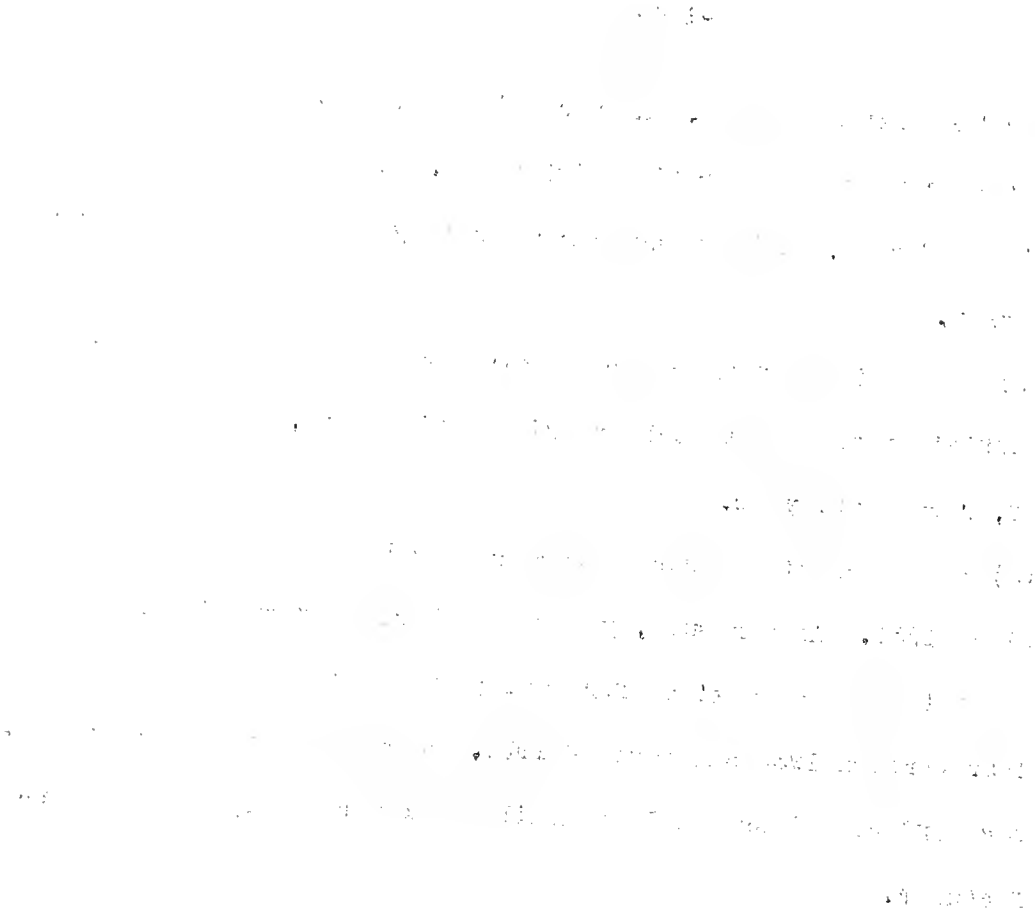
However, we may expect little migration from Baltimore, if any at all, within the next few years. The reasons are:

(1) The present market for clothing is a rising market, with business quite good. Indications are that this will continue

for the next few years. As a result manufacturers are not as apt to consider comparative high wages, and other important items of cost, with as much alarm as they would in a declining market.

(2) The capital of the average Baltimore manufacturer is not sufficient to permit much experimentation with, and training of, rural employees.

(3) The purchasing power of farmers has been rising steadily since 1934. As a result, younger members of rural families are not quite as anxious for employment as they had been from 1929 through 1933 and part of 1934. Rural communities are therefore offering less and less available labor supply to the manufacturer.



# CHAPTER 6

## Conclusion

# CHAPTER 6

## CONCLUSION

1. The fact that the Baltimore men's clothing employment and payroll indices are below the national level for these two indices is not due to lack of business on the part of Baltimore manufacturers. The departures are caused by the migration of Baltimore firms from the Baltimore market. Baltimore clothing manufacturers have been able to withstand the declining market throughout the depression period with a comparative degree of success. This has been due in the main to the fact that most Baltimore manufacturers utilize contract shops for most of their operations; as a result their capital during the depression was not tied up in fixed assets which had to be carried by a smaller production schedule.

2. The coming of the union to Baltimore in the fall of 1931 has helped stabilize the employment and wages of most Baltimore employees. Since more than 60% of the Baltimore clothing employees are in small contract shops, the administrative task of the union has been quite difficult. However, the influence of the union has tended to wipe out most of the small contract "sweat-shops", although some few still remain in operation. The union has helped stabilize the working hours of employees who, before the influx of the union, would work for fifty and sixty hours per week and it has helped stabilize the minimum wages of most semi-skilled employees. Because of the fact that manufacturers tend to play off one contractor against another in the price to be paid for finishing a designated garment, the contractor is under constant pressure to decrease his price. Most of such decreases are eventually reflected in lower piece rates paid to the employees. Because of the union influence,

[illegible]

such continuous pressure on the employee to take lower piece rates, has been stopped -- in the main. Homework, a common practice in Baltimore before the N.R.A., was largely stopped in 1934. Its revival - to some extent - has been impeded by union activity.

3. The coming of the union in the Fall of 1931 resulted in an unfortunate limitation -- demanded by the union. The union demanded that all production on any type of coat other than a particular kind known as the No. 3 coat, must be stopped. Such curtailment of the production of No. 1 and No. 2 coats worked a hardship on some Baltimore manufacturers, since it limited the variegation of the products they could place on the market. In a declining market, it is of utmost importance that a variety of products be manufactured in order not to be dependent on a single product. The limitation of Baltimore production -- in the union shops -- to a No. 3 coat, removed the possibility of manufacturing the cheaper No. 1 and No. 2 coats, which were of some importance as was later seen in 1935, when the union finally acquiesed to the requests of the Manufacturers' Association to manufacture a No. 2 coat. At present the No. 2 coat constitutes about 25% of the Baltimore production. However, no No. 1 coats are manufactured in the union shops in Baltimore -- a fact which is unfortunate, since it prevents the Baltimore manufacturer from varying his product to meet New York City and Philadelphia competition and it undermines the possibility of manufacturing overcoats in Baltimore.

4. The capital of the average Baltimore clothing manufacturer is fairly liquid. It was this liquid character of most of his capital that enabled him to come through the period from 1930 through 1935, fairly well. The large number of contract shops in Baltimore was largely responsible for the liquid character of the average Baltimore manu-

facturer's capital. However, while the average capital is fairly liquid, it is also fairly small. The incidence of Social Security Taxes will create a hardship for many of the manufacturers -- at least until the taxes can be passed on to the consumer. It might be noted in passing that the manufacturer will not be able to avoid payment of these taxes on the ground that he has no inside shop; in all probability he will have to pay a tax on the payroll of his contractors. Also, if Maryland enacts an unemployment compensation plan which includes a merit-rating feature -- i.e., a payroll tax higher than the average, for those firms which are highly seasonal - the clothing industry in Baltimore, because of its small average capital, is bound to suffer from such higher payroll taxation, since there is very little the average manufacturer can do to stabilize his seasonal unemployment. The seasonal character of the industry can be noted in Exhibit 22.

5. Migration from Baltimore has stopped. It might be pointed out that there never was a movement to speak of; firms which migrated during the depression were few in number. Migration from an urban to a rural community takes place when all of the following conditions are present:

1. A declining market is present;
2. The possibility exists that a union will either organize the plant, or if it is a union shop, that the union will not reduce wage rates or piece rates;
3. The garment to be manufactured is a fairly simple, mostly machine made garment;
4. Some wage differentials exist between the urban rates and the rural rates;
5. There is available sufficient liquid capital to finance the operation of a rural factory at a loss, for a year or more;
6. A fall of farm commodity prices, which drives younger members of farm families into the nearest towns to seek employment.

The possibility of migration during the next few years is very slight due to the absence of conditions 1, 6, and probably 5.

6. Some migration to Baltimore is beginning. A few firms have come from New York City, and have opened highly efficient manufacturing plants in Baltimore. The immediate prospects are that these firms will not be unionized. Their influence on the Baltimore market will - in the long run - probably be detrimental, since they will probably tend to undersell all the other inside union shops. Since the union strength is really concentrated in the contract shops, and since it controls most of the inside shops only by sufferance of the inside manufacturer, the coming of new non-union, inside shops to Baltimore, may tend to undermine the little influence the union has with the inside shops.

There is every indication that business will continue coming to Baltimore manufacturers because of the low cost of the Baltimore product. This is due not only to the cheap labor, but to the fact that much of the Baltimore product is manufactured in contract shops, which tends to bring down the cost of production.